

**PROCURING A GREEN DEAL PARTNER RELATIONSHIP  
FOR CAMBRIDGESHIRE  
(Report by Head of Environmental Management)**

**1. EXECUTIVE SUMMARY**

- 1.1 The Green Deal was launched by government in October 2012 and is a fully accredited route for householders and businesses to have appropriate energy efficiency improvements to their properties identified, financed and installed.
- 1.2 The Green Deal replaces all existing government funding for domestic and community based energy efficiency grant schemes. Funding will be made available through a Green Deal Finance package or an Energy Company Obligation (ECO) grant depending on financial circumstances, tenure and property type.
- 1.3 Local Authorities have a **statutory duty** under the updated Home Energy Conservation Act (HECA) **to actively promote and report on local Green Deal activity within their area** and DECC are expecting local authorities **to play a leading role in the delivery of Green Deal and ECO.**
- 1.4 The County and District Council's in Cambridgeshire recognise that there are significant advantages from working in partnership to deliver a countywide local authority backed scheme to maximise take-up of energy efficiency measures, help alleviate fuel poverty and support the duties required under HECA. There are also potential consequences of not engaging positively with the Green Deal, including reduced energy efficiency investment locally, lack of ECO support for vulnerable households and censure from the Secretary of State for Energy.
- 1.5 A consultation exercise and preliminary market testing has identified that **the most effective way of delivering the Green Deal locally is to create a single Cambridgeshire brand and to jointly procure a partnership relationship with a fully accredited Green Deal Provider.** The chosen Green Deal Provider will benefit from a common county-wide approach, access to promotional support, networks and information held by each district. In return they will provide a clear and trusted route for residents and property managers to secure energy efficiency improvements to their properties.
- 1.6 The local authorities will benefit from an active partner to help engage with local residents, maximise lead potential and provide a secure and accountable referral network. **This will be provided at minimal cost to local authorities with the potential for revenue income from lead generation outlined with this report.**
- 1.7 **This report presents an outline business case for the establishment of a countywide Green Deal Partnership scheme** (Annexe A attached) and recommends that Huntingdonshire District Council participates in a joint procurement exercise to deliver this project.

## **2. BACKGROUND**

- 2.1 The Green Deal was introduced in the Energy Act of 2011 as a solution to the problem of a lack of investment in energy saving measures in homes and non-domestic buildings.
- 2.2 The core principle of the Green Deal is 'The Golden Rule'; that the payment for the energy saving measure/s, including the cost of finance, labour and products should not exceed the projected cost savings on an average bill for the duration of the green finance arrangement, which can be as long as 25 years for houses.
- 2.3 Green Deal loans will be attached to the property rather than the occupier with repayments made through fuel bills. If the occupier moves, the financial obligation stays with the property and repayments move to the subsequent bill-payer.
- 2.4 Green Deal loans will be available for a full range of energy efficiency measures, currently 45 in total. These measures include cavity wall and loft insulation, boiler replacement, heating controls, double glazing, secondary glazing, solid wall insulation, flat roof insulation and micro-generation e.g. solar thermal hot water.
- 2.5 The introduction of the Green Deal has necessitated a number of legislative changes including the introduction of the Energy Company Obligation (ECO) which replaces the previous funding stream for energy efficiency improvements for vulnerable householders, known as CERT (Carbon Emission Reduction Target) which ended in December 2012. ECO funding will integrate with the Green Deal with a focus on hard to treat properties, vulnerable and fuel poor households. Around £1.3bn of ECO funding will be invested by the major energy companies per annum and will only be accessible through Green Deal Providers.

## **3. DELIVERY OF A JOINT GREEN DEAL FOR CAMBRIDGESHIRE**

- 3.1 In preparation for the launch of the Green Deal relevant officers from the Cambridgeshire districts have been working collaboratively to evaluate the legislation; establish the local authority role in the Green Deal; and gauge how best to deliver strategic goals.
- 3.2 Officers from Huntingdonshire District Council, South Cambs, East Cambs, Fenland and Cambs City – and more recently Cambs County Council have formed a steering group. The terms of reference of the group are attached as Annexe B to this report and group will seek to develop a business plan to secure a suitable partner relationship with a Green Deal Provider. The business plan will be drafted in the form of a tender brief.
- 3.3 It is intended that the Local Authority Partners will conduct a joint competitive procurement exercise to select one or more Green Deal Provider partners. The County Council will lead the procurement exercise on behalf of partners, with full input from each partner authority.
- 3.4 A comprehensive risk assessment has been undertaken (included as Annexe C attached) which addresses a wide range of risks (35 in total) associated with such issues as pressure selling and incorrect financial advice being given and which will inform any tender exercise.

- 3.5 The project will fall within the scope of the OJEU (European) procurement regime. The procurement will be in two stages, the first stage a pre qualification round from which the leading applicants will be short-listed, followed by the invitation to tender to those short-listed applicants (the second stage).
- 3.6 The suitability of a Green Deal Provider will be based on their ability to meet the objectives set out below:
- Securing the maximum take-up of Green Deal measures across the building stock of all Cambridgeshire's districts to reduce fuel poverty, carbon emissions and improve the building stock;
  - Ensuring good value, high quality energy efficiency installations with outstanding quality of work and customer care;
  - Boosting the local economy (employment, skills and learning, expansion and development of the energy efficiency and micro-generation business sector);
  - Supporting local community groups and voluntary sector organisations working on sustainable energy-related issues
  - Establishing a financially sustainable energy efficiency/Green Deal programme which continues to re-invest revenue streams in the delivery of the programme to cover marketing costs and affordable warmth support:
- 3.7 If Members approve the recommendations contained within this report, the next step will be to formalise the relationship between the district councils through a Memorandum of Understanding to be approved at Public Service Board.
- 3.8 Secondly work will begin on drafting the detailed procurement specification and assessment criteria. This work will then require scrutiny and agreement by relevant officers within each of the districts before proceeding to the tender stage.

## 5. FINANCIAL/RESOURCE IMPLICATIONS – OUTLINE BUSINESS CASE

- 5.1 The outline business case for the project (Annexe A attached) gives an assessment of the options available, the benefits, risks, costs and timescales for the development of the project.
- 5.2 A full investment appraisal will not be possible until the tender assessment process has been completed but an initial assessment of the size of the investment opportunity across the County is contained within the table below which shows the greatest potential market (£223 million) is in Huntingdonshire.

### Green Deal market investment potential for Cambridgeshire

District/County Council	Investment potential domestic	Investment potential non-domestic	Total Green Deal potential
Huntingdonshire	£190m	£33m	£223m
South Cambs	£187m	£35m	£221m
Fenland	£121m	£18m	£138m
Cambs City	£79m	£49m	£128m
South Cambs	£107m	£10m	£117m
<b>Cambridgeshire</b>	<b>£684m</b>	<b>£146m</b>	<b>£830m</b>

- 5.3 The running of the contract once procured will be as a minimum at no net cost to the Authority but there is some potential for income generation through referral fees or a staff contribution to the partnership. This will form part of the assessment criteria against the procurement specification.
- 5.4 Soft market testing carried out has identified potential referral fees ranging from £25 - £150 per lead dependant on quality and level of information and commitment. £150 would likely be an assessed lead carried through to installation.
- 5.5 A realistic potential lead generation of 500 - 1000 leads for Huntingdonshire per annum would be deliverable. This would generate an income in the region of £30k to £60k per annum (based on a 30% conversion rate to full Green Deal Package). This income stream would also be dependent on the existing market at the time of procurement, the final detailed model adopted and the ability of the Council to promote take-up and support the scheme in the district going forward.
- 5.6 To ensure the future success of implementation of the Green Deal the partnership of Cambridgeshire authorities has been successful is securing £75,000 from the government's "*Green Deal Pioneer Places*" fund. The money will pay for a programme of activity that will lay the foundations for a successful Green Deal roll out in Cambridgeshire, including:
- An initial 200 Green Deal assessments to give a comprehensive understanding of energy efficiency options appropriate to a range of Cambridgeshire housing archetypes.
  - Marketing activity to promote understanding among Cambridgeshire residents of the Green Deal, how it could benefit them and how to access it.
  - Preparation for launch the launch of the Cambridgeshire Green Deal brand

## **6. CONCLUSIONS**

- 6.1 Adopting the 'Producer' model (Option 3 in the outline business case Annexe A attached) , in partnership with a Green Deal Provider as part of a county-wide brand will allow Huntingdonshire District Council to build upon its proven track record in improving the environmental efficiency of existing homes, reducing carbon emissions, and alleviating fuel poverty.
- 6.2 It will provide a clear route for local residents and businesses to maximise the use of the Green Deal to improve their properties with no upfront costs whilst not carrying the same level of risk for the Council as a full joint venture relationship.
- 6.3 It will secure investment and benefits to the local economy, promoting growth and skills in the energy efficiency and micro-generation industry.

## **7. RECOMMENDATIONS**

- 7.1 Cabinet is recommended to:
- (a) Approve the establishment of a partnership of the Cambridgeshire Districts to deliver the Green Deal work proposal, subject to detailed approval of a Memorandum of Understanding between the local authorities involved at Public Service Board;

- (b) Approve a procurement exercise and subsequent and award of contract(s) to one or more Green Deal Providers to be let on a Countywide basis and in collaboration with Cambridgeshire Local Authorities.
- (c) Delegate authority to the Managing Director (Communities, Partnerships and Projects)/Head of Paid Service and the Head of Legal and Democratic Services, to negotiate a Memorandum of Understanding governing joint working and to enter into a contract with a chosen Green Deal Provider, subject to consultation with the Executive Councillor for the Environment.

## **BACKGROUND INFORMATION**

DECC Green Deal Guides

VERCO Establishing the Community Connection Final Report

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## ANNEXE A: BUSINESS CASE FOR GREEN DEAL DELIVERY IN CAMBRIDGESHIRE

**For entering into a joint procurement exercise to secure a delivery partnership relationship for a county-wide Green Deal Scheme**

**Lead Officer:** Chris Jablonski

**Date issued:** January 2013

### REASONS

The Green Deal (GD) provides local authorities with an excellent opportunity to promote local economic growth, improve the energy efficiency of domestic and commercial buildings, reduce carbon emissions and enable affordable warmth.

Central Government recognise that local authorities will have a key role in the successful delivery of Green Deal and ECO due to their position of trust, impartiality, local knowledge and community engagement. The recently revised Home Energy Conservation Act (HECA) places a duty on local authorities to actively promote and report on the local delivery of Green Deal.

Green Deal is the new national policy framework for investing in energy efficiency and has replaced current funding streams. It is a fully accredited and accountable mechanism with formal assessments, advice and a financial framework requiring no upfront costs for installing energy efficiency measures. It will provide local authorities with a valuable route to encourage energy efficiency, improve the local housing stock, help to reduce fuel bills and alleviate fuel poverty.

Following consultation and a study on the Cambridge Green Deal Community Connection (full final report at <http://bit.ly/13gpYkr>) the most beneficial and cost effective option for local authorities in Cambridgeshire is to partner with one (or maybe two) commercial Green Deal Providers.

To maximise scale and provide sufficient catchment for an effective scheme, the second tier Cambridgeshire local authorities should work jointly together to procure a county-wide partner relationship under a single generic umbrella brand. This would be tailored to each local authority's identity to enable targeted local communication and engagement.

Cambridgeshire district authorities (South Cambs DC, Huntingdonshire DC, Cambridge City, East Cambs DC and Fenland DC), supported by Cambs County Council have formed a steering group, working together to design a Green Deal scheme and prepare for the necessary procurement process. Executive approval from each of the local authorities is sought in order to proceed with the procurement process using this shared approach.

### OPTIONS

There are a variety of approaches local authorities can consider to deliver Green Deal:

1. **Doing nothing** – leave the Green Deal market in Cambridgeshire to its own devices.

**Response:** This would mean that local authorities have no control over any Green Deal activity in their area and would be unable to maximise the potential success of local schemes. They would not be in a position to raise awareness, help local residents and communicate the benefits of Green Deal.

2. **Promoting Green Deal (Promoter Model)** – simple marketing and promotion of the Green Deal to Cambridgeshire’s residents and businesses.

**Response:** This would help to communicate and promote Green Deal but would not allow LA’S to be involved in any part of the Green Deal process or ensure residents are getting best value. LA’s would not have input into the shape or delivery of a scheme to promote growth in the local economy or be able to prioritise those households in greatest need. With this option alone there would be no potential for income generation or the opportunity to maximise local take-up.

3. **Producing leads and procuring a referral partnership with a Green Deal Provider (Producer Model)** – partner shares the Council’s GD delivery principles.

**Response:** This option enables effective LA supported marketing and input into Green Deal engagement and delivery without financial, installation and aftercare risks. The partnership principles would revolve around a GD Provider using a shared LA supported Cambridgeshire brand. The GD Provider would benefit from LA’s established local communication channels, community connections, local knowledge and support. The partnership principles would be designed to benefit Cambridgeshire’s residents and businesses and ensure they have access to the best deals. The framework will build confidence in the local market by carefully specifying standards and monitoring customer satisfaction. There is potential for revenue with this option as referral fees could be agreed, or investment into the scheme secured from the GD Provider.

4. **Establishing a joint venture with a Green Deal Provider (Provider Model)** – or establish a social enterprise for the purpose of local Green Deal provision.

**Response:** In the Provider model, the Cambridgeshire LA’s would become the Green Deal Provider by forming a Social Enterprise Company or a Joint Venture with a commercial Green Deal Provider. This organisation would deliver Green Deal locally aiming to maximise local benefits such as using local businesses for assessments and installation, targeting homes in fuel poverty and providing appropriate advice and aftercare to maximise lasting carbon emissions reductions. Becoming a Green Deal Provider involves a number of responsibilities, some of which carry risks and entail activity not necessarily linked to a local authority’s core business. There are also risks involved with entering a new market at such an early stage while there are still a number of policy and market unknowns. This is the highest cost and highest risk of all of the options as there would be responsibility for the consumer credit act, resolving complaints, technical failure, customer default, etc.

**Option (3) Producer Model – is the selected delivery model** as it allows local authorities to have the greatest input into shaping and developing a specific Green Deal provision to best meet local priorities, issues and circumstances but carries little risk. This model avoids exposure to associated financing, installing and providing aftercare and guarantees for Green Deal measures.

## **BENEFITS**

The suitability of an external GD Provider would revolve around the delivery of the following:

- securing the maximum take-up of Green Deal measures across the building stock of all Cambridgeshire’s districts to reduce fuel poverty, carbon emissions and improve the building stock;

- ensuring good value, high quality energy efficiency installations with outstanding quality of work and customer care;
- Boosting the local economy (employment, skills and learning, expansion and development of the energy efficiency and micro-generation sector);
- Establishing a financially sustainable energy efficiency/Green Deal programme which continues to reinvest referral returns in the delivery of the programme to cover marketing costs, Green Deal assessments, management costs and affordable warmth support.

**Additional benefits for Huntingdonshire District Council would include:**

- building upon previous successful schemes to promote energy efficiency and carbon reduction across the district
- using the St Ives Green House demonstration property as a 'sign-up' centre for Green Deal and as a resource for examples and further information on the scheme and measures that are available.
- providing a dependable, reputable and reassuring route for households and businesses to apply for the Green Deal
- opportunity to promote other grants and loans for improvements to properties, i.e. Disabled Facilities Grants, Repairs Assistance
- meeting the requirements under the revised Home Energy Conservation Act (HECA)
- promoting local economic growth by attracting investment into the district through energy efficiency and micro-generation industries
- raising profile as a leading local authority with a clear route for delivering Green Deal
- reducing number of households in fuel poverty by improving the energy efficiency of homes and providing affordable warmth
- meeting the targets for improving the environmental efficiency of building as set in the District Council's Environment Strategy
- closer working with community groups
- improvements to the local housing stock

**RISKS**

1. The five Cambridgeshire districts fail to gain sign-off for the shared Producer model business case, therefore preventing the local authorities from maximising the scalability and wider benefits from procuring a partnership relationship with a Green Deal Provider.
  - The work undertaken to date has received officer and executive member support from all of the five districts.
2. Failure to attract a Green Deal Provider who will agree to the required benefits as listed in above.
  - Soft market testing has proved there is sufficient interest from Green Deal Providers and other stakeholders/key players to establish a partnership delivery model for Cambridgeshire that meets our requirements.
  - We have been successful in securing DECC Pioneer Green Deal funding to run a pilot scheme across the county delivering 200 Green Deal assessments. This will provide an excellent evidence and knowledge base in preparation for setting up the county-wide scheme and introduce Green Deal into the local market place.



3. Lack of capacity in partner local authorities to see procurement process completed.

- Offers of supplemental procurement support through both City and County Councils and sharing of basic legal costs attached to developing and scrutinising contract documents.

### COST AND TIMESCALE

The cost of the procurement exercise will be divided between the 5 districts. This will include legal support and development and review of contracts. Costs should not exceed £4k for each local authority (to be taken from the existing Environment Strategy revenue budget). Other costs associated with the development and delivery of the Green Deal scheme will be officer time contributions shared across the LA's.

Full project timescales:

Action	Date
Final Draft of <i>Community Connection</i> project report released (asset assessment, community consultation and preliminary LA option analysis)	11 October 2012 Completed
Green Deal cross-authority officer project group meet to discuss putting the group on more formal footing: reporting process to Exec Mgt, procurement issues, timescales, etc.	23 October 2012 Completed
Update <i>Green Deal: Community Connection in Cambridgeshire</i> website	w/c 29 October 2012 Completed
Market testing – questionnaire to potential Green Deal Providers and other co-ordinating Green Deal players	w/c 29 October 2012 Completed
Series of meetings between the officer project group and potential Green Deal Providers to further develop market testing	7 – 8 November 2012 Completed
Joint meeting to discuss procurement options (project officer team and LA procurement officers)	w/c 12 November 2012 Completed
Submit bid to DECC under the Green Deal Pioneer Places Fund stream of the Local Authority Completion 2012-13	30 November 2012 Completed
Formation of outline Green Deal business case to secure relationship Green Deal Providers	December 2012 Completed
Each LA secures necessary internal approvals (Portfolio Holder/Cabinet) to proceed with Green Deal business plan to procure agreed partnership arrangement.	January/February 2013
Preparation of detailed tender brief documents (PQQ & ITT)	February/March 2013
Release of PQQ	March 2013
Release of ITT to short-listed tenders	June 2013
Tender assessment, interviews and award	August 2013
Launch of Cambs-Wide Green Deal single brand with GDP partner(s)	September 2013

### INVESTMENT APPRAISAL

A full investment appraisal will not be possible until the tender process has been completed. However, the following potential investment issues have been raised to date:

- Green Deal investment potential in Huntingdonshire is £190m for the domestic market and £33m for non-domestic, totalling £223m.

- Commercial providers view a partnership relationship with a local authority as a significant business advantage. Experience from previous schemes has shown lead generation and conversion increase from just 1% to 5-10% when co-branded with a local authority.
- Low set up costs to cover procurement, financial and legal requirements and office time.
- Operational costs for the scheme will be net zero for the local authorities but will require officer time. There will be potential for income generation or support for staff resource. This will form part of the criteria in the procurement process.

- Soft marketing testing has shown that Green Deal Providers would be willing to pay LA's referral fees for leads and conversions. These range from £25 to £150 depending upon whether installation work goes ahead and the value of the ECO lead/Green Deal Plan.
- A realistic potential lead generation of 500 – 1000 per annum in Huntingdonshire would be deliverable. This would generate an income in the region of £30k to £60k per annum (based on a 30% conversion rate to full Green Deal Package). Such income streams would also be dependent on the existing market at the time of procurement, the final detailed model adopted and the ability of the Council to promote take-up and support the scheme in the district going forward.

## **Cambridgeshire Green Deal Partnership Project Steering Group**

### **Vision**

To develop and implement a Cambridgeshire wide 'Green Deal Offering' sanctioned by the district level authorities within the Government's framework for Green Deal whilst maximising the local economic and community benefits.

### **Aim**

To develop a sound business case and procurement framework for partnering with an external green deal provider and green deal assessors to deliver cost effective energy efficiency improvements for residents and building owners across Cambridgeshire.

### **Objectives**

1. To consolidate and analyse the output from consultancy, workshops and community engagement to develop a delivery model for green deal in Cambridgeshire
2. To undertake soft market testing and research to establish the likely costs, market appetite for cooperation, acceptable delivery and financial models, and revenue potential
3. To establish the local economic and community benefits required in the chosen delivery model
4. To produce a detailed proposed business case for a chosen 'Green Deal Model'
5. To identify and follow the correct procedure for political scrutiny and authority for taking the project forward to procurement
6. To establish the correct procedure, costs and implications for procurement of partners to implement the chosen green deal model

### **Principles**

To achieve significant improvement to the energy efficiency of homes and commercial buildings across the county by promoting and enabling the flow of funds and finance through ECO and Green Deal to those residents and businesses who can benefit.

- Provide confidence to residents and businesses in the ECO and Green Deal processes
- Maximise through procurement the use of local assessors and installers to ensure a local economic benefit from the flow of ECO funds and Green Deal Finance
- Make best use of local authority reputation, information, staffing and other assets to ensure successful partnership delivery of the Green Deal
- Make the best use of established community connections with the public, parishes and third sector organisations to promote Green Deal to and engage with our populations.

### **Accountability**

Immediate accountability will be to relevant service heads in the individual authorities and then to relevant committees/ portfolio holders/executive Councillors. Action notes and brief minutes will be taken at meetings and progress should be reported to service heads following fortnightly meetings

### **Membership**

The following partner organisations will be represented:

- Cambridge City Council
- Huntingdonshire District Council
- South Cambridgeshire District Council
- Cambridgeshire County Council
- East Cambridgeshire District Council
- Fenland District Council

### **Frequency of Meetings**

Meetings will be held fortnightly

