

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 13 May 2013

Portfolio:	Strategic Planning and Environment
Subject:	Solent Green Deal Scheme
Report of:	Director of Planning and Environment
Strategy/Policy:	Environmental Sustainability Strategy
Corporate Objective:	Protect and Enhance the Environment Support a Balanced Housing Market

Purpose:

To recommend what level of involvement Fareham Borough Council should adopt with regards to the Solent Green Deal scheme.

Executive summary:

This report gives a brief summary of what the Green Deal is, before explaining the responsibility Fareham Borough Council has in terms of promoting the initiative, and providing clear advice to its residents. The report goes on to explain the work that the Partnership for Urban South Hampshire (PUSH) has been undertaking on developing a "Solent Green Deal" and what benefits and options there are in Fareham Borough Council becoming involved in this scheme. The final element is a recommendation on the level of involvement that is considered appropriate.

Recommendation:

That the Executive formally supports Fareham Borough Council becoming an "endorser" of the Solent Green Deal. This would then become the single recommended Green Deal scheme in the Borough.

Reason:

This approach is considered the most prudent given the unpredictable levels of uptake. This allows Fareham Borough Council the option to review uptake levels in the Borough in potentially reviewing its level of involvement in the future. It also allows the Council to benefit from the detailed work undertaken by PUSH as well as the comprehensive marketing of the Solent Green Deal which will be funded by support already secured from the Department of Energy and Climate Change (DECC) Pioneer Places fund.

Cost of proposals:

There is no initial investment required to become an "endorser" of the Solent Green Deal. However, some existing staff time/resources will be required to promote the scheme locally.

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Executive Briefing Paper

Date: 13 May 2013

Subject: Solent Green Deal Scheme

Briefing by: Director of Planning and Environment

Portfolio: Strategic Planning and Environment

WHAT IS THE GREEN DEAL?

1. The Green Deal is a government initiative and proposed solution to the problem of a current lack of investment in energy saving measures in homes and non-domestic buildings, resulting in many properties with poor energy efficiency ratings. The Green Deal aims to provide finance to fund fixed improvements to the energy efficiency of domestic and non-domestic properties, which will provide savings for the bill payer (and future bill payers).
2. The Green Deal includes a financial framework that enables energy saving measures to be paid for in instalments via energy bills. The core principle is “The Golden Rule.” This means that the instalment payment for the energy saving measures should not exceed the projected associated cost savings on an average bill for the duration of the Green Deal Finance arrangement (up to 25 years).



HOW DOES THE GREEN DEAL WORK?

3. The first part of the process is the assessment, where residents request a Green Deal assessment from a qualified assessor. These assessments are usually charged for, although the majority of providers will cover the assessment fee if residents choose to install a product using the Green Deal. The assessor will then provide the resident with a Green Deal Advice Report, which will explain what improvements they can make and estimate how much they could save on their energy bills. The report will usually refer to an array of potential products or improvements which differ in costs and potential savings, such as replacement boilers, cavity wall insulation, replacement lighting etc.
4. After the assessment, residents can then contact a Green Deal provider to arrange for any work to be undertaken. Residents are free to get as many quotes from providers as they like, and are free to choose which recommendations suit them best. Once a resident has chosen what work they wish to be undertaken, they will then agree on a Green Deal Plan (loan) from their chosen provider. A Green Deal plan is 'attached' to the electricity meter of the property, rather than the existing householder, and so if a resident moves house after installing a Green Deal product, the loan will stay with the property.
5. Green Deal loan repayments are added to the householder's electricity bill. Residents will then repay the loan through the payments they make on their electricity bills (by direct debit, for example). Even if the installed measure is predicted to save you money on a gas bill the repayments will be made through the electricity bill. The Green Deal loan will be fully transferable as it is a fixed amount, so residents would still be able to freely switch between energy suppliers as usual, and there would be no need for householders to switch to a special Green Deal energy supplier.
6. The chosen Green Deal provider will decide on the terms of the loan, such as how much a householder can borrow (there is no limit), how long for, and the rate of interest. Estimates are that interest rates are likely to be between 6.5-9.5% and there are likely to be early repayment charges applied.
7. For the consumer, the Green Deal "should" be simple in that they can deal with one company who will arrange an assessment of their property, propose the installations that meet the "Golden Rule", arrange the necessary finance and agreements, and arrange for repayment of the finance through the energy bill associated with the property. However, to achieve this, a complex set of arrangements, agreements and relationships exist between the Green Deal provider and the various other concerned parties.

WHY SHOULD FAREHAM BOROUGH COUNCIL BE INVOLVED?

8. The Green Deal is a relatively complex process that may be difficult to understand. This is seen as potentially the biggest obstacle to take up on a large scale. Local Authorities can, therefore, have a big influence on simplifying the process as far as possible and offering residents the best options and advice.

9. The key benefit to the Borough would be the potential to help residents reduce their energy costs and reduce fuel poverty levels. There are also potential benefits of local job provision as a result of using or promoting local businesses. Also, the government expects Councils to outline what they will be doing on the Green Deal as part of the development of their new Home Energy Conservation Action (HECA) plans.

PARTNERSHIP FOR URBAN SOUTH HAMPSHIRE (PUSH) APPROACH - "SOLENT GREEN DEAL"

10. A significant amount of work has been undertaken by the Partnership for Urban South Hampshire (PUSH) on looking into what is the best approach to the Green Deal. Generally local authority experience with business is that there are economies of scale to be had the larger the proposition. Therefore, at the PUSH Joint Committee meeting in December 2012, it was agreed that PUSH would support the development of a Green Deal scheme for the Solent area. Subsequent to the meeting, Southampton, Portsmouth and Eastleigh Councils were successful in securing £455,000 of Department of Energy and Climate Change (DECC) Pioneer Places Funding to develop and launch the scheme.
11. The scheme developed by PUSH is essentially a partnership between the public and private sector, using Portsmouth City Council as the public sector lead authority. The public sector will be responsible for communication with residents, marketing and undertaking assessments. A marketing strategy is being developed to utilise the funding secured from DECC and a dedicated website (www.solentgreendeal.org.uk) has been developed to explain, in simple terms, the benefits of the Solent Green Deal scheme. The private sector will then be responsible for the financial elements and arranging any agreed installations.
12. Local Authorities will need to sign a Service Level Agreement with Portsmouth City Council, whilst the service concession agreement with the providers will be with Portsmouth City Council. Residents will have the comfort of dealing with their local Councils for assessments, while contractual arrangements with providers will ensure not only that there will be the appropriate product guarantees, but that where service is inadequate there are effective processes in place to achieve a satisfactory remedy.
13. The procurement documentation will enable all Hampshire Authorities to work with the selected providers. The documents will also outline the requirement for Providers to use local Small and Medium Enterprises (SMEs) where practical, and to work with colleges and SMEs developing local apprenticeship schemes.
14. The Solent Green Deal scheme is due to be officially launched at the end of May 2013 (final date yet to be confirmed). There is no time limit on when Local Authorities can become involved in the scheme.

OPTIONS AVAILABLE

15. There are three basic options open to Fareham Borough Council in terms of their involvement in the Solent Green Deal scheme:

Option A: Direct Involvement

16. This involves the Council signing up fully as a partner in the Solent Green Deal scheme and the Council employing trained assessors to meet with residents. This expenditure would potentially be recovered by charging for assessments. All assessments are charged, although where residents choose to install a product using the Solent Green Deal their assessment would be paid by the private partner. The PUSH business model showed that an assessment fee of £150 would (in theory) recoup the costs of staff expenditure. This is considered to be competitive with other Green Deal providers in the current market. An initial upfront cost of training would be around £1,500 (Highbury College), but there would also be ongoing costs and resource implications such as annual salaries and time/costs for administration and logistics.
17. This option has the most financial risk, as it is extremely difficult to predict uptake levels and hence there is no guarantee that income from assessments will be enough to cover the costs of staff and training, etc. However, it does ensure the Council has full control over the quality of the assessments as the people doing them will be Council staff. This option does allow the Council to utilise the work undertaken by PUSH and to benefit from the marketing strategy and website funded by DECC.

Option B: Endorser

18. This option would be indirect involvement but formally endorsing the Solent Green Deal scheme as **the** Council backed scheme within the Borough. Any referrals generated in the Borough would be passed to assessors from a neighbouring Council, and any income generated would be retained by that Council.
19. Choosing option B gives Fareham Borough Council the opportunity to utilise the work undertaken by PUSH and to benefit from the marketing strategy and website funded by DECC, but without the financial risk associated with Option A. It allows Fareham Borough Council to assess the take up over time and potentially review the level of involvement in due course if uptake is high amongst residents of the Borough.
20. Choosing either Option A or B gives the Council some control over the quality of assessment or any assurances of the quality of product being installed. By becoming a partner in the Solent Green Deal scheme, the Council will have a steer in the procurement of private partners and will also be part of the ongoing project board. This will help the Council have influence over the project, but can also have assurances over the quality of the private partners and their work.

Option C: No involvement

21. Alternatively the Council can choose not be a part of the Solent Green Deal scheme at all. The Council would still have a duty to promote the Green Deal, but this would be done far more generally, with Council having to highlight all providers available in the area, but not recommend or endorse any specific providers.

22. Option C does not give the Council any control over the quality of work being undertaken in the Borough as all listed providers would be working outside of the Council's control, and there can, therefore, be no guarantee over the quality of their service or products. However, by not officially endorsing one particular scheme or partner, there is potentially less reputational risk to the Council if a product fails, or a scheme is not as cost effective as promised.

RECOMMENDATION

23. It is recommended that Fareham Borough Council does take the opportunity to become part of the Solent Green Deal scheme. However, it is recommended that option B is taken and that the Council becomes an "endorser" of the scheme rather than become directly involved.
24. Whilst there is potential to recoup the initial costs of training and employing Green Deal assessors through assessment charges, the predicted uptake of the Green Deal is clearly unknown at the current time. It is therefore considered more prudent to promote the Solent Green Deal scheme and utilise trained assessors from other authorities. This approach fulfils Fareham Borough Council's obligation to support the Green Deal in general without requiring any initial investment. Uptake of the product could be reviewed over time, and the arrangements could be reviewed if it becomes apparent that having Fareham Borough Council assessors would be beneficial financially.
25. Becoming a partner in the Solent Green Deal scheme would ensure that the Council has assurances, and a degree of control, over the quality of the work being provided to the residents of the Borough who approach the Council for advice. The alternative would be simply providing a long list of all companies who provide a Green Deal service without having any information on the quality of their work. The detailed work in procuring a suitable set of partners is being undertaken by Portsmouth City Council, and as such, provides Fareham Borough Council with a level of input without the need to input significant staff resource.
26. Directing residents to the Solent Green Deal website would also negate the need to develop detailed information on Fareham Borough Council's own website, thus saving time and staff resource.
27. The only resource implications of choosing this option would be general promotion of the product and the scheme website. The majority of promotion is envisaged to come from Portsmouth City Council who is developing a marketing strategy utilising the Pioneer Places funding.
28. Although there is no time limit on when Local Authorities can become involved in the Solent Green Deal scheme it would be beneficial to "join up" prior to the official launch at the end of May 2013 (final date to be confirmed) in order to benefit from initial marketing.