

# FAREHAM

## BOROUGH COUNCIL

### **Report to Health and Housing Policy Development Review Panel**

**Date**                    **18 July 2013**

**Report of:**            **Director of Community**

**Subject:**              **THE GOVERNMENT'S GREEN DEAL**

#### **SUMMARY**

This report outlines the main aspects of the Government's Green Deal policy and the actions that the Council propose to take to promote energy efficiency measures in the private sector housing stock.

#### **RECOMMENDATION**

The Panel is invited to note the Council's membership of the Solent Green Deal scheme, initially as a promotion partner but with the option to investigate the benefits of full partner status at a later date.

## INTRODUCTION

1. As part of their strategy to meet strict European Union (EU) carbon emission reduction targets, the Government launched the 'Green Deal' in January this year to encourage people to carry out energy efficiency measures to their homes.
2. Under The Home Energy Conservation Act (HECA) 1995, Councils are required to identify practical and cost-effective measures likely to result in significant improvements in the energy efficiency of all homes in their area and publish bi-annual reports indicating, the number of energy use reduction measures carried out and the amount of carbon saved. There is also an expectation that Local Authorities will promote the Green Deal as part of their obligations under the HECA Act.

*'Local authorities and other local partners are key in ensuring effective and intensive delivery of Green Deal and the Energy Company Obligation (ECO) in their communities. They may choose to deliver the Green Deal, either directly themselves or in partnership with commercial partners and local organisations'.  
(Department of Energy and Climate Change; 27<sup>th</sup> February 2013)*

3. There are three main strands to the new government initiatives, Green Deal, ECO and Renewable Heat Incentive (RHI), replacing all previous schemes. The table below sets out how the Green Deal fits into the replacements for the previous energy efficiency schemes.

<b>Schemes now withdrawn</b>	<b>New schemes</b>
Carbon Energy Saving Programme	Energy Company Obligation (ECO)
Carbon Emission Reduction Target	Renewable Heat Incentive (RHI)
Insulate Hampshire	Renewable Heat Premium Payment (RHPP)
Warmfront	Green Deal
PUSH for safer homes	
Heatseekers	

### **What is the Green Deal?**

4. The Green Deal is an interest bearing loan based scheme (typically 7.8% APR) whereby owner occupiers and private or Registered Providers (RPs) tenants can carry out certain energy efficiency measures to their homes, without any 'up front' costs. The amount borrowed is repaid via a charge placed upon their property's energy bill, rather than a personal debt, and transfers to any subsequent occupiers.
5. All loans are subject to the 'Golden Rule' which requires that the expected savings made on energy bills will always be equal to, or greater than, the cost of the work. This means that the loan repayment must not be more than the cost of the energy saved following installation of the energy saving measures (see appendix A). For example, if a property's energy bill was £200 per month before any energy efficiency measures were carried out and, following installation of any recommended measures, the energy bill reduced to £150 per month, the amount repayable for said measures would be no more than £50 per month.

6. Although much depends upon the cost of and type of work to be carried out; the life expectancy of the products, and the anticipated reduced costs due to the energy saved, the householder is unlikely to see any financial benefit until the loan is repaid and/or energy prices rise. There are incentives however, such as cash back and partial ECO funding which could help to reduce some of the overall costs to the householder.
7. The Renewable Heat Incentive (RHI) will be a rebate paid to residents who install measures such as solar thermal, air and ground source heat pumps, and is similar to the feed in tariff for those households who have installed photovoltaic panels on their homes to generate electricity. This will be launched in the summer of 2014 and in the meantime there are grants available towards the cost of buying and installing the equipment through the Renewable Heat Premium Payment (RHPP) household scheme. For example there could be a grant of £2,300 available to install an Air Source Heat pump which could cost from £6,000 to purchase and install.

### **Energy Company Obligation (ECO)**

8. Certain households, generally those on income related benefits, will qualify for free energy efficiency measures, such as a replacement boiler should their existing boiler need replacing, or is old and below a 'D' energy rating. The ECO funding scheme generally takes over from Warmfront and Insulate Hampshire Schemes which accessed funds from the energy companies to pay for insulation and central heating boilers. Under the Green Deal a household may qualify for partial ECO funding and then take out a Green Deal loan for other measures not available under the ECO scheme.
9. An important point to note is that only those companies, or other organisations such as Local Authorities, who are Registered Providers will be allowed to access funding for the Green Deal/ECO. An organisation or company has to apply to central government to be an accredited Provider and, once accredited, are able to offer all aspects of the Green Deal/ECO. There are no restrictions on the number of companies that can offer Green Deal products so customers are free to choose whether or not they go through the Solent Green Deal Partnership to access the funding for any measures they undertake.

### **Solent Green Deal Partnership**

10. The Solent Green Deal partnership has been set up by a consortium of Local Authorities in Hampshire being led by Portsmouth, Southampton and Eastleigh Councils. There are two levels of membership of the partnership, Full Partner and Promoter Partner. A Full Partner authority will employ their own Green Deal Assessors (GDA) to visit customers to advise on the scheme and the energy efficiency measures that could be carried out. If the customer wishes to proceed the assessor feeds the information back to Portsmouth City Council (PCC) who arrange for one of the registered installers to carry out the work. The Executive has agreed in May 2013 that the Council will be a Promoter Partner for this scheme.
11. The installer pays PCC £150 per lead from which, after expenses have been deducted, the Full Partner is paid a fee which it is used to cover the cost of the Green Deal Assessor. A Promoter Partner does not employ assessors but will promote the scheme on their websites which will give details to local households how to access the

Green Deal and that the authority sanctions the GDAs from PCC to work in their area. As a result the Promoter Authorities do not benefit from any potential fee income, but also do not have any risks associated with the lack of income if the scheme doesn't take off. (See Appendix B for the draft Service Level Agreement for details).

12. The scheme will be administered by (PCC) who have set up a website and a free phone number. They have employed and trained new GDA staff to field calls and carry out initial Green Deal Assessments. The GDAs will work across all authority areas unless an authority wishes to employ their own assessors which would mean that they would become a full partner, as described above. They will then pass on the 'lead' to one of the three approved companies who successfully tendered to provide the installation service. The provider will pay PCC or other Full Partner authorities £150 per lead. PCC will supply information to all participating authorities (whether full or promoter) on a quarterly basis relating to the following:

- The number of enquiries made from their area
- The number of Green Deal Assessment reports submitted
- What measures have been installed and the final energy savings made
- What investment has been made to the housing stock
- What money has been saved due to the installation of Green Deal measures
- Customer feedback on the scheme - positive comments and any complaints or disputes

13. PCC will also provide leaflet and poster templates together with other promotional and marketing material.

### **Promoter Authorities**

14. The main difference between a full and a promoter authority is the requirement for a full partner to employ fully trained GDAs. A full partner would, if the scheme goes according to plan, share in the income generated from the £150 per lead, and this would be used to fund the Green Deal Assessors.

### **RISK ASSESSMENT**

15. If the Council was to become a full partner there would be more risks associated with the appointment and training of staff which might not be met from the income received if the scheme isn't taken up in the area. As a Promoter partner there are no significant risks to the Council. However if the scheme is financially successful then the Council will need to revisit the viability of employing our own GDAs.

### **CONCLUSION**

16. The Green Deal is the Government's flagship energy efficiency policy and there is an expectation that Local Authorities will help to promote the scheme in their areas. This will form part of the reporting requirements for the Council's bi-annual HECA report.

17. Membership of the Solent Green Deal Partnership enables the Council to promote the Green Deal in the borough and we will have access to statistical evidence for reporting purposes. Although there is no obligation to become a full partner, this aspect of the scheme may be worth investigating at a later date when the success of PCC's approach can be gauged and, if it is viable, it might be an option for the Council to appoint our own GDAs in the future.

Appendices:

Appendix A: [Golden Rule explanation](#)

Appendix B: [Draft SLA agreement.](#)

**Background Papers:** Report to the Executive Solent Green Deal 13 May 2013

**Reference Papers:** none

**Enquiries:**

For further information on this report please contact Giles Hearn. (Ext 4404)