

**Report of Energy and Climate Change Manager**

**Report to Director of Environment and Housing**

**Date: 14<sup>th</sup> May 2014**

**Subject: Green Deal Communities Grant**

Are specific electoral Wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, name(s) of Ward(s):		
<ul style="list-style-type: none"> <li>• Beeston &amp; Holbeck</li> <li>• Burmantofts and Richmond Hill</li> <li>• City and Hunslet</li> <li>• Headingley</li> <li>• Hyde Park and Woodhouse</li> <li>• Kippax and Methley</li> <li>• Otley and Yeadon</li> <li>• Roundhay</li> <li>• Weetwood</li> </ul>		
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, Access to Information Procedure Rule number:		
Appendix number:		

**Summary of main issues**

1. On the 28<sup>th</sup> March, Leeds City Council received an offer on behalf of LCR of £4.943m from DECC ( Department for Energy and Climate Change) from the Green Deal Communities Fund.
2. Phase one of the scheme will concentrate on delivering external wall insulation to properties in specific areas in Leeds, Bradford and Wakefield.
3. In Leeds this will amount to approximately four hundred properties across eight areas in the City. This phase of the scheme will be delivered by our existing Wrap Up Leeds ECO contractors.
4. Phase two will be a voucher scheme to encourage early take up of the City Region wide scheme in early Autumn. This will be available to households across the City Region.

5. Part of the fund will also be used to renovate show homes and train small and medium enterprises across the City Region.
6. DECC have specified that the funds must be spent by the end of March 2015.

### **Recommendations**

The Director of Environment & Housing is requested to

7. Inject £2,660,000 from the DECC Green Deal Communities grant into the capital programme and authorise spend of £2,660,000 from the Green Deal Communities grant within Leeds as per the agreement with DECC.
8. Grant authorisation to engage the Wrap Up Leeds ECO framework to utilise the money for the phase 1 grant.
9. Grant authorisation to engage Construction and Housing Yorkshire in the SME installer development project.
10. Note that the remaining £2,283,000 is to be spent within our partner authorities within the City Region, as per our agreement with DECC.

## **1 Purpose of this report**

- 1.1 To inject into the capital programme and authorise the LCC element of the Green Deal Communities grant of £2,660,000 as per our agreement with DECC.
- 1.2 To note that the remaining £2,283,000 will be allocated within our partner authorities within the City Region, as per our agreement with DECC.

## **2 Background information**

- 2.1 In July 2013, Leeds City Council launched the Wrap Up Leeds ECO scheme which was intended to provide a range of energy efficiency measures to Leeds households, including for hard to treat properties.
- 2.2 In September 2013, DECC announced a £20m Green Deal Communities funding programme to support local authorities to run street-by-street campaigns to accelerate uptake of the Green Deal in relatively affluent communities. Leeds City Council led a LCR consortium and submitted a bid in late November for £1.9m, following Executive Board approval on the 6<sup>th</sup> November 2013 to submit a proposal.
- 2.3 In the Autumn statement of 2013, the Government launched a review of the Energy Company Obligation which severely reduced the amount of funding available for hard to treat measures such as solid wall insulation.
- 2.4 At the same time, the Government announced that Green Deal Communities funding would increase to £80m but required all bidders to make significant changes to their proposals. On the 18<sup>th</sup> December 2013 Executive Board authorised the increased bid to DECC's Green Deal Communities fund. This led to an iterative process with a final revised bid of £4.765m being submitted in late February 2014.

## **3 Main issues**

- 3.1 On the 28<sup>th</sup> March, Leeds City Council received an offer on behalf of LCR of £4.943m an increase of £178,000 on our bid submitted in Feb 2014. This was the full amount requested, plus some additional funds that DECC has distributed across all winning bids to support early delivery.
- 3.2 £3.63m has been allocated to support the early delivery of external wall insulation across Leeds Bradford and Wakefield, with £2.4m of this going to Leeds (phase 1 of the scheme).
- 3.3 Phase 1 of the scheme will primarily be delivered through our existing Wrap Up Leeds ECO contractors who will offer households a mixture of Green Deal Communities and ECO funding to bring household contributions down to a level that can be funded by the Green Deal, whilst remaining within the Golden Rule. This contract has been extended to November 2014.
- 3.4 As part of the bid criteria, we were required to outline specific target areas in which to focus marketing activity, in order to achieve a high level of uptake in

those areas. In order to ensure the maximum chance of success, we have selected the following areas on account of them having solid or system build walled property types, as well as being areas with existing work already underway, particularly active community groups or large property holders with whom we have a relationship, such as Leeds University and Unipol:

<b>Area</b>	<b>Ward</b>
Hyde Park	Hyde Park and Woodhouse
Central Roundhay	Roundhay
Silk Mills/Ivesons	Weetwood
Nowells neighbourhood challenge area and surrounding streets	Burmantofts and Richmond Hill
Leasowe's/Telfords	City and Hunslet
The Drive	Kippax and Methley
Meynells Estate	Beeston and Holbeck
Area surrounding St Hilda's Mount, Cross Green	Burmantofts and Richmond Hill

- 3.5 We expect to improve approximately 400 hard to treat properties with solid wall insulation through phase 1 of the scheme.
- 3.6 DECC has stipulated that this funding cannot be used in conjunction with Government cash-back funding for the same energy efficiency measure. However, this scheme does not affect householders' ability to claim cash-back if this represents a better saving for them, or if they live outside of the target areas.
- 3.7 DECC has stipulated that all households receiving improvements through the scheme must contribute the cost that the measure has been calculated to save over a period of twenty years. We have calculated that for solid wall insulation, this is likely to be between £2,000 and £3,000 for an average household.
- 3.8 A further £750k (phase 2) will be used to launch the new LCR contract in the Autumn and encourage early take up (£180k in Leeds). The first 1000 customers

across the City Region will receive a £750 voucher, redeemable on completion of the works. This programme will be finalised when the details of future DECC Green Deal cashback incentives are known in order to make this the best deal for LCR residents.

- 3.9 £235k will be used to fund sixteen show homes of various build types across the City Region, which will demonstrate a range of energy efficiency improvements and act as a focus to encourage high take up in local areas (£60k in Leeds). In Leeds, we intend to source these properties from organisations such as Canopy Housing, LATCH and Unipol.
- 3.10 £100k of the funding has been granted to provide training for small and medium sized enterprises, in order to develop the local supply chain for the LCR framework and ensure that employment opportunities from the Green Deal/ECO accrue to the City Region area. Construction and Housing Yorkshire who are engaged to develop the social impact plan for the LCR Green Deal and ECO framework will project manage this aspect of the grant.
- 3.11 DECC have specified that all funds must be spent by the end of March 2015.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

- 4.1.1 Executive board have made two previous decisions: one to delegate authority to apply for the grant to the Director of Environment and Housing and another to increase the value of the grant sought. Consultation has therefore already taken place with the relevant parties within Leeds City Council.
- 4.1.2 Extensive consultation has taken place with our partners within the LCR in order to develop the bid.

### **4.2 Equality and Diversity / Cohesion and Integration**

- 4.2.1 Equality screening has been undertaken and has not identified any significant negative issues. Instead, it has indicated that the funding programme will help to lift deprived individuals and communities out of fuel poverty, with consequent health and social benefits.

### **4.3 Council policies and City Priorities**

- 4.3.1 The vision for Leeds 2011 to 2030 acknowledges that climate change is one of the three major challenges that have emerged since the last Vision was published in 2004 and has a specific aim to ensure that “all homes are of a decent standard and everyone can stay warm”
- 4.3.2 The vision is supported by the City Priority Plan 2011 to 2015, which brings together a number of key four-year priorities that will help us to deliver the 2030 Vision. It is supported by five separate action plans that address the five key themes. Of these, two contain priorities which are directly relevant to the strategy:
- Best City .... for business

1. Create more jobs.
2. Improve the environment through reduced carbon emissions.

- Best City.... to live:

1. Maximise regeneration investment to increase housing choice and affordability within sustainable neighbourhoods.
2. Enable growth of the city whilst protecting the distinctive green character of the city.
3. Improve housing conditions and energy efficiency.

4.3.3 A priority of the Leeds Joint Health and Wellbeing Strategy 2013 – 15 is to “maximise health improvement through action on housing” in order to ensure that people live in healthy and sustainable communities.

#### **4.4 Resources and value for money**

4.4.4 The contractors for Wrap Up Leeds ECO have been engaged on the basis of the most economically advantageous tender. Since the changes to ECO announced in the Autumn Statement, market rates have changed, however the rates quoted by the contractors are no worse than general brokerage rates and private housing owners have the option to appoint contractors outside this contract if they offer better value for money. Any large contracts let by the authority will be procured through mini-bids off the framework to ensure continued value for money. The contractor for the LCR project is also being procured on the basis of the most economically advantageous tender.

4.4.5 Bradford and Wakefield have followed local authority procurement rules in order to engage their contractors on the basis of the most economically advantageous tender.

4.4.1 This is a fully funded injection of capital provided entirely by DECC. As such there is no requirement for funding or borrowing from Leeds budgets.

4.4.2 Leeds is providing project management support for activities within Leeds from budgets within the Sustainable Energy and Climate Change Team. Construction and Housing Yorkshire are providing project support for the SME installer training grant as they are engaged on the LCR framework to fulfil this function.

#### **4.4.3 Capital Funding and Cash Flow**

Funding Approval :	Capital Section Reference Number :-						
Previous total Authority to Spend on this scheme	TOTAL £000's	TO MARCH 2013 £000's	FORECAST				
			2013/14 £000's	2014/15 £000's	2015/16 £000's	2016/17 £000's	2017 £000's
LAND (1)	0.0						
CONSTRUCTION (3)	0.0						
FURN & EQPT (5)	0.0						
DESIGN FEES (6)	0.0						
OTHER COSTS (7)	0.0						
<b>TOTALS</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Authority to Spend required for this Approval	TOTAL £000's	TO MARCH 2013 £000's	FORECAST				
			2013/14 £000's	2014/15 £000's	2015/16 £000's	2016/17 £000's	2017 £000's
LAND (1)	0.0						
CONSTRUCTION (3)	2417.5			2417.5			
FURN & EQPT (5)	0.0						
DESIGN FEES (6)	142.5			142.5			
OTHER COSTS (7)	100.0			100.0			
<b>TOTALS</b>	<b>2660.0</b>	<b>0.0</b>	<b>0.0</b>	<b>2660.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Total overall Funding (As per latest Capital Programme)	TOTAL £000's	TO MARCH 2013 £000's	FORECAST				
			2013/14 £000's	2014/15 £000's	2015/16 £000's	2016/17 £000's	2017 £000's
Government Grant - DECC	2660.0			2660.0			
	0.0			0.0			
	0.0			0.0			
<b>Total Funding</b>	<b>2660.0</b>	<b>0.0</b>	<b>0.0</b>	<b>2660.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Balance / Shortfall =</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

4.4.4 There are no revenue effects this scheme is fully funded by capital grant.

#### 4.5 Legal Implications, Access to Information and Call In

4.5.1 Advice has been sought from both legal and procurement officers during the development of this proposal.

4.5.2 Solicitors from Leeds and the City Region are satisfied that the proposal will not have any state aid implications.

4.5.3 The recommended decisions are eligible for call-in.

#### 5.0 Risk Management

5.1 Corporate risk 24 is that 'Council does not meet CO<sub>2</sub> emissions reduction targets and improve home energy efficiency'. This project will contribute towards mitigating both of these risks.

5.2 Experience with ECO has shown that ECO rates can vary over time, which may require larger contributions from the Green Deal Communities fund, and the number of properties that can be assisted may be reduced.

5.3 DECC have specified that a householder contribution is required towards all measures funded through the Green Deal Communities fund. Whilst we know from Wrap Up Leeds Plus and Wrap Up Leeds ECO that some households are prepared to pay a significant contribution towards the cost of solid wall insulation, we cannot be sure how many households in the specified areas will be prepared to pay for or finance the expected £2,000 - £3,000 household contribution. If fewer than predicted households take up the offer we may be required to return any underspend to DECC.

5.4 Severe winter weather may halt external wall insulation work which could lead to an underspend within the timescale provided. In this circumstance, we would liaise with DECC to agree a way forward.

## **6.0 Conclusions**

6.1 The recent review of ECO tariffs announced by DECC is likely to result in far less money being available for hard to treat measures such as external wall insulation through ECO, than was originally expected when Wrap Up Leeds ECO was designed. However, DECC have agreed to provide funding for external wall insulation in specific communities through the Green Deal Communities fund. This means that we will be able to ensure that a number of hard to treat properties are insulated as originally intended, and should help us to generate a good level of interest when the LCR contract begins in early Autumn.

## **7.0 Recommendations**

The Director of Environment & Housing is requested to

7.1 Inject £2,660,000 from the DECC Green Deal Communities grant into the capital programme and authorise spend of £2,660,000 from the Green Deal Communities grant within Leeds as per the agreement with DECC.

7.2 Grant authorisation to engage the Wrap Up Leeds ECO framework to utilise the money for the phase 1 grant.

7.3 Grant authorisation to engage Construction and Housing Yorkshire in the installer development project.

7.4 Note that the remaining £2,283,000 is to be spent within our partner authorities within the City Region, as per our agreement with DECC.

## **8.0 Background documents<sup>1</sup>**

8.1 Brief on the Green Deal Communities Bid.

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.