

Report of the Director of Environment and Housing

Report to Executive Board

Date: 16th July 2014

Subject: Green Deal Communities Grant Update

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"> • Beeston & Holbeck • Burmantofts and Richmond Hill • City and Hunslet • Headingley • Hyde Park and Woodhouse • Kippax and Methley • Otley and Yeadon • Roundhay • Weetwood 		
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 28th 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. A decision was taken by the Director of Environment and Housing to 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. The remaining £2,283,000 is to be spent within our partner authorities within the City Region, as per our agreement with DECC.
8. The Government has recently launched its Green Deal Home Improvement Fund which can provide cash back incentives for the installation of measures which fall outside of Green Deal Communities areas or where it would provide a greater financial benefit for the householder than the Green Deal Communities fund.

Recommendations

1. That Executive Board notes that the Energy and Climate Change Manager is responsible for progressing the Green Deal Communities work which is due to be completed in June 2015.
2. That Executive Board continues to promote Wrap Up Leeds ECO, particularly in the Green Deal Communities areas and the additional support available for measures such as solid wall insulation.

1 Purpose of this report

- 1.1 To inform members of the decision to inject £4,943,000 of the Green Deal Communities funding into the capital programme as per our agreement with DECC and update them with the £2,660,000 of works to be undertaken through the grant in Leeds (the remaining £2,283,000 is to be spent within our neighbouring City Region Authorities).
- 1.2 To update members with the latest developments of the Green Deal ECO scheme including the Green Deal Home Improvement Fund and how this can enhance the improvements offered under Wrap Up Leeds ECO/Green Deal Communities Fund.

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. This funding had strict conditions applied, including that:
 - Only privately owned or rented homes were eligible;
 - Support had to focus on external or internal wall insulation;
 - Specific neighbourhoods had to be identified to receive funding;
 - All households, bar showhomes, had to make a financial contribution up to the 'Golden Rule' limit (typically around 25% or £2-3,000 per household);
 - ECO funding has to match GCD funding for each property, but government cash back incentives cannot also be claimed;
 - All funding must be spent by the end of March 2015.
- 2.3 The effect of these conditions is that some of the areas that the council would most wish to work, where people are poorest and indebted, are not suitable. The council lobbied DECC to try to change these rules, including sending an all party delegation to meet the Minister, to allow us to focus funding on our priorities (i.e. tackling fuel poverty through whole-neighbourhood regeneration in areas of greatest need first). The government position has remained unchanged with regard to insisting on householder contributions.
- 2.4 Whilst the council would have chosen to target funding differently it is still felt we should make the most of the funding available to us. The Green Deal Communities funding has the potential to create loci of work in strategically located neighbourhoods which will then allow us to work in the surrounding communities. The contractors are also committed to using local labour so the investment will help create jobs, ultimately helping to tackle the underlying cause of fuel poverty.

- 2.5 Leeds City Council therefore led a LCR consortium and submitted a bid in late November for £1.9m, following Executive Board approval on the 6th November 2013 to submit a proposal.
- 2.6 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.
- 2.7 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 18th 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.
- 2.8 The Government has recently launched its Green Deal Home Improvement Fund (GDHIF) which increases the cash back incentive available for the installation of some energy efficiency measures such as solid wall insulation.

3 Main issues

- 3.1 On the 28th 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.

Phase 1

- 3.2 £3.63m has been allocated to Phase 1 to support the early delivery of external wall insulation across Leeds, Bradford and Wakefield, with £2.4m of this going to Leeds.
- 3.3 Phase 1 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.
- 3.4 To meet the government's bidding criteria and maximise our chances of successful delivery we have selected the following areas:

Area	Ward	Rationale for prioritisation
Hyde Park	Hyde Park and Woodhouse	Strong relationship with Unipol/UoL so good potential to promote to whole streets.
Central Roundhay	Roundhay	Very active local environmental group, REAP, who will support and promote.
Silk Mills/Ivesons	Weetwood	Commenced EWI on council homes and good levels of interest from private residents.
Nowells neighbourhood challenge area and surrounding streets	Burmantofts and Richmond Hill	Over 80% of area signed up to free EWI prior to ECO rules changing; this provides the best deal we can now offer.
Leasowe's/Telfords	City and Hunslet	Commenced EWI on council homes and

		good levels of interest from private residents.
The Drive	Kippax and Methley	Ex-coal board estate with high proportions of elderly residents and good potential for EWI.
Meynells Estate	Beeston and Holbeck	Will support private residents to receive a similar treatment to council tenants in PFI area.
Area surrounding St Hilda's Mount, Cross Green	Burmantofts and Richmond Hill	Supports the council funded regeneration area and replaces funding lost due to ECO changes.

- 3.5 We expect to improve approximately 400 hard to treat properties with solid wall insulation through phase 1 of the scheme.
- 3.6 The three contractors will begin work in one area each, and will move on depending on uptake.
- 3.7 As a result of the cross-party delegation that visited Greg Barker on 27th March we have secured a partial relaxation of the rules in order to make the offer accessible to more deprived areas. We have been allowed to make the Golden Rule calculations over a 5 year, rather than 20 year, period in Cross Green and the Nowells which effectively reduces contributions to £900-£1200 for an average household.

Phase 2 and other Green Deal Communities activities

- 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.

Other energy efficiency incentives

- 3.11 The Government has recently launched its Green Deal Home Improvement Fund which will provide cash back incentives for the installation of energy efficiency measures in private sector properties. These can be claimed outside of the Green

Deal Communities areas or within Green Deal Communities areas where they represent better value for the claimant. However, GDHIF cash back and Green Deal Communities funding cannot be claimed on the same energy efficiency improvement.

3.12 Under the GDHIF, for solid wall insulation, 75% of the cost of insulation up to a maximum of £6,000 can be claimed.

3.13 Under the GDHIF, up to £1,000 (or £1,500 if the property has been purchased within the last twelve months) of the cost can be claimed where two or more of the measures below have been installed:

Improvement	Minimum quantity
1. Cavity wall insulation	At least 50% of external walls
2. Condensing mains gas boiler	One
3. Secondary glazing	Must apply secondary glazing to at least 50% of the windows in the property
4. Double/triple glazing (replacing single glazing)	Must double/triple glaze at least 50% of the windows in the property
5. Flat roof insulation	Insulate the total flat roof area of the individual property
6. Replacement warm air unit	One
7. Fan-assisted storage heaters	At least three
8. Energy efficient replacement doors	At least two external doors to be improved
9. Floor insulation	At least 50% of ground floor
10. Room-in-roof insulation	Must insulate all of the roof
11. Flue Gas Heat Recovery	One
12. Waste water heat recovery	One

3.14 We will investigate with the Credit Union the possibility of providing bridging loans from the discretionary Fuel Poverty Fund to enable households in high deprivation areas or with limited savings to take advantage of the GDHIF cashback.

Other complementary initiatives

3.15 It has to be recognised that the Green Deal Communities funding and Wrap Up Leeds ECO are aspects of ongoing investment in energy efficiency in Leeds. A full description of recently completed, current and planned programmes was presented to Executive Board in March 2013. In addition to the Green Deal/ECO work in the private sector, and despite the challenge of changing government policy and reducing funding, we remain on track to deliver many of our top priorities, including:

- Providing additional funding for whole-house energy efficiency improvement as part of the council's c£5m community regeneration investment in Cross Green;
- Continued investment in energy efficiency improvements in council homes, including on-going external wall insulation improvements in system built properties and an innovative biomass district heating scheme for the Clydes and Phil May Court;
- Enhanced energy efficiency standards for all new council homes built.

4 Corporate Considerations

Consultation and Engagement

- 4.1 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.
- 4.2 Extensive consultation has taken place with our partners within the LCR in order to develop the bid.
- 4.3 The Director of Environment and Housing has authorised the injection of the fund into the capital programme through a delegated decision in order to ensure that the works are completed in the timescale available.

5 Equality and Diversity / Cohesion and Integration

- 5.1 An Equality Impact Assessment has been undertaken, which indicates that the funding will help to lift deprived individuals and communities out of fuel poverty, with consequent health and social benefits.

6 Council policies and City Priorities

- 6.1 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”
- 6.2 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
 - Create more jobs.
 - Improve the environment through reduced carbon emissions.
 - Best City.... to live:
 - Maximise regeneration investment to increase housing choice and affordability within sustainable neighbourhoods.
 - Enable growth of the city whilst protecting the distinctive green character of the city.
 - Improve housing conditions and energy efficiency.
- 6.3 The Strategy will also contribute to the delivery of the Best Council Plan 2013-17 objective, “Promoting sustainable and inclusive economic growth” and the 2014-15 aim, “To complete the regional procurement of a provider to deliver the ECO programme”.

- 6.4 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.

7.0 Resources and value for money

- 7.1 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.
- 7.2 Bradford and Wakefield have followed local authority procurement rules in order to engage their contractors on the basis of the most economically advantageous tender.
- 7.3 The Green Deal Communities Fund is a fully funded injection of capital provided entirely by DECC. As such there is no requirement for funding or borrowing from Leeds budgets.
- 7.4 Cash back grants are provided by DECC on a household by household basis, therefore these have no impact on Leeds budgets.
- 7.5 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.

8.0 Legal Implications, Access to Information and Call In

- 8.1 Advice has been sought from both legal and procurement officers during the development of this proposal.
- 8.2 Solicitors from Leeds and the City Region are satisfied that the proposal will not have any state aid implications.
- 8.3 The recommended decisions are eligible for call-in.

9.0 Risk Management

- 9.1 Corporate risk 24 is that ‘Council does not meet CO₂ emissions reduction targets and improve home energy efficiency’. This project will contribute towards mitigating both of these risks.
- 9.2 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.

- 9.3 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.
- 9.4 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.
- 9.5 DECC may decide to review its cash back offer, however, we would amend our marketing strategy to take account of any changes to this.

10.0 Conclusions

- 10.1 Although this funding does not fully support all our priorities, particularly our focus on fuel poverty and areas of greatest need first, it does represent a significant injection of new funding to the city.
- 10.2 The recent ECO review has significantly reduced funding for external wall insulation which has stalled many planned programmes.
- 10.3 The award of Green Deal Communities funding means that we will now be able to reactivate this work to ensure that 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 October.
- 10.4 The Green Deal Home Improvement Fund also has the potential to significantly enhance the assistance available through Wrap Up Leeds ECO in neighbourhoods surrounding Green Deal Communities, particularly for solid wall insulation.

11. Recommendations

- 11.1 That Executive Board notes that the Energy and Climate Change Manager is responsible for progressing the Green Deal Communities work which is due to be completed in June 2015.
- 11.2 That Executive Board continues to promote Wrap Up Leeds ECO, particularly in the Green Deal Communities areas and the additional support available for measures such as solid wall insulation.

12. Background documents¹

- 12.1 None

¹ 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.