

Report of Programme Officer, Sustainable Energy and Climate Change Team

Report to Director of Environments and Housing

Date: 23rd November 2015

Subject: 28910/000/000/609/04 Private Sector Energy Efficiency Fund

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

- 1 The Beeston and Little London PFI has contracted Keepmoat to carry out energy efficiency works, as well as other works, to council housing stock. Keepmoat have been able to claim ECO as a result of this work. Keepmoat have incurred costs to make these claims, but the amount raised is greater than the cost incurred.
- 2 The budget for the Beeston and Little London PFI scheme did not include an ECO rebate and the scheme is within budget.
- 3 It is therefore proposed that this money should be placed in a capital fund ring fenced to provide subsidies for more expensive energy efficiency measures for deprived or vulnerable households, mainly in the private sector.
- 4 In order to maximise uptake of private sector energy efficiency measures the customer contribution has to be affordable. This may require a subsidy above normal grant levels and it is proposed that the PFI ECO rebate is used to supplement other schemes to maximise uptake.
- 5 It was proposed to supplement Green Deal Home Improvement Fund funding, within the rules of the scheme to minimise the customer contribution required in specific areas we could market to. This was trialled in the Meynells among right to buy properties where 3 people took up the offer. The Green Deal Home Improvement Fund has since been withdrawn by the government so the Private

Sector Energy Efficiency Fund (PSEEF) will only be used to cover these 2 properties.

- 6 The Green Deal Communities Fund (GDCF) requires a customer contribution but some people are unable to make this contribution, due to not being able to take out a Green Deal loan as they have failed the credit checks and have no savings. It is therefore proposed that the PSEEF supplies this contribution.
- 7 GDCF has a maximum contribution of £7,000 per property on any scheme. Two schemes (the Nowells which has brick effect render to the front, and the Holtdales because of the number of alleyways and other issues) were more expensive than this. It is proposed that the PSEEF makes up the difference to keep the customer contribution affordable.
- 8 Two council houses and a Canopy house in the Nowells area cannot receive Green Deal Communities Funding as they are social housing. It is proposed that the council houses will be paid for using the funding and the Canopy house subsidised with Canopy paying a customer contribution of £2,000.
- 9 GDCF phase 2 vouchers included an offer to residents in Beeston for attic room insulation. The offer was made including ECO which Better Homes were subsequently unable to secure. It is proposed that the ECO should be replaced with PSEEF money for those people who have replied to the offer so that the customer contribution does not need to be raised.
- 10 GDCF phase 2 had an underspend of c£170K. This is being transferred to a phase 3 fuel poverty based scheme agreed with DECC. It is proposed to add the rest of the PFI ECO fund money to this scheme.

Recommendations

The Director of Environment and Housing is requested to:-

- 11 Receive £144,012 of funding from Keepmoat, representing ECO claims for year 1 and 2 of the PFI scheme.
- 12 Receive future sums of money from further ECO rebates over the rest of this financial year. Due to falling ECO rates this is likely to be in the region of £10K. Rates are very volatile so it may be less than this.
- 13 Authorise spend of £132,000 on the projects described above.
- 14 Authorise spend of the remaining year 1 and 2 income, plus any future PFI ECO income, on similar private sector energy efficiency projects for low income households.
- 15 Note that the fund is not advertised but will be used as supplementary funding to ensure other energy efficiency schemes can go ahead.

1 Purpose of this report

- 1.1 This report outlines proposals to establish a Private Sector Energy Efficiency Fund (PSEEF) to provide supplementary funding to ensure other energy efficiency schemes can go ahead and to assist vulnerable private sector households.

2 Background information

- 2.1 Leeds City Council is currently signed up to the Leeds City Region Green Deal/ECO scheme (called Better Homes Yorkshire) which allows Leeds residents to access ECO funding to install a wide range of heating and energy efficiency measures.
- 2.2 ECO is split into three parts:
 - 2.2.1 The **Home Heating Cost Reduction Obligation (HHCRO)** is available to c30,000 private households in receipt of certain benefits, similar to the old Warm Front scheme. Typically, it provides free loft and cavity insulation and replacement boilers.
 - 2.2.2 The **Carbon Saving Communities Obligation (CSCO)** is available to all tenures in the lowest 15% of the Index of Multiple Deprivation which equates to about 88,000 households across the city. Typically, this will provide loft and cavity wall insulation.
 - 2.2.3 The **Carbon Emissions Reduction Obligation (CERO)** is available to fund the insulation of hard to treat properties of all tenures. It is estimated that around 77,000 households would be eligible for this subsidy including solid walled terraces, system built housing and high rise blocks.
- 2.3 However, all of these elements of ECO are market based and ECO subsidies are currently running at a very low level. Other grant funding such as Green Deal Communities Fund is available for certain schemes under the conditions of the specific grant. In order to maximise uptake of energy efficiency measures the customer contribution has to be affordable. This may require a subsidy above normal grant levels and it is proposed that the PSEEF is used to supplement other schemes to maximise uptake.

3 Main issues

- 3.1 The Beeston and Little London PFI has contracted Keepmoat to carry out energy efficiency works, as well as other works, to council housing stock. Keepmoat have been able to claim ECO as a result of this work. Keepmoat have incurred costs to make these claims, but the amount raised is greater than the cost incurred.
- 3.2 The budget for the Beeston and Little London PFI scheme did not include an ECO rebate and the scheme is within budget.

- 3.3 It is therefore proposed that this money should be placed in a capital fund ring fenced to provide subsidies for more expensive energy efficiency measures for deprived or vulnerable households, mainly in the private sector.
- 3.4 In order to maximise uptake of energy efficiency measures the customer contribution has to be affordable. This may require a subsidy above normal grant levels and it is proposed that the PFI ECO rebate is used to supplement other schemes to maximise uptake.
- 3.5 It was proposed to supplement Green Deal Home Improvement Fund funding, within the rules of the scheme to minimise the customer contribution required in specific areas we could market to. This was trialled in the Meynells among right to buy properties where 3 people took up the offer. The Home Improvement Fund has since been withdrawn by the government so the PSEEF will only be used to cover these 3 properties. This should cost £7,500.
- 3.6 The Green Deal Communities Fund requires a customer contribution but some people are unable to make this contribution due to not being able to take out a Green Deal loan as they have failed the credit checks and having no savings it is proposed that the Private Sector Energy Efficiency Fund supplies this contribution.
- 3.7 GDCF has a maximum contribution of £7,000 per property on any scheme. Two schemes were more expensive than this. The Nowells scheme which now has brick effect render to the front exterior, and the Holtdales scheme because of the number of alleyways and other issues. It is proposed that the PSEEF makes up the difference to keep the customer contribution affordable. This will equal approximately £980 per property in the Nowells and £821 in the Holtdales.
- 3.8 2 council houses and a Canopy House in the Nowells area cannot receive Green Deal Communities Funding as they are social housing. It is proposed that the council houses will be paid for using the funding at approximately £9,000 and the Canopy House subsidised with Canopy paying a customer contribution of £2,000.
- 3.9 The Green Deal Communities Funding for phase 2 vouchers included an offer to residents in Beeston for attic room insulation. The offer was made including £1,100 ECO which Better Homes were subsequently unable to secure. It is proposed that the ECO should be replaced with PSEEF money for those people who have replied to the offer so that the customer increase does not need to be raised. Approximate cost £9,000.
- 3.10 GDCF phase 2 had an underspend of c£170K. This is being transferred to a phase 3 fuel poverty based scheme agreed with DECC. It is proposed to add the rest of the PFI ECO fund money to this scheme.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 Housing Leeds have been consulted on individual projects and will continue to be.
- 4.1.2 Residents who took part in the Meynells pilot were positive about the offer.

- 4.1.3 A series of focus groups were held as part of the 2012/13 Warm Homes Healthy People evaluation revealed significant health and social benefits of receiving affordable energy efficiency improvements.
- 4.1.4 The Director of Environment and Housing agreed on 14th May 2014 that Green Deal Communities Funding should be accepted and the scheme delivered through Wrap Up Leeds ECO and Better Homes Yorkshire. A progress report went to Executive Board on 16th July 2014.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 EDCI screening completed (Background document 7.1) using information identified in previous projects. Its key findings were:
- 4.2.2 By targeting the fund at increasing take up of energy efficiency schemes we are able to ensure that the fund will have a positive impact on reducing income equality across the City.
- 4.2.3 By also targeting some households who suffer from cold related illness, we can ensure that the scheme will have a positive impact on reducing health inequalities across the City.

4.3 Council policies and City Priorities

- 4.3.1 The Vision for Leeds is committed to making sure that everybody lives in a decent home and can stay warm by 2030. In addition, the City Priority Plan to 2015 commits the Authority to “support more people to live safely in their own homes” and “improve housing conditions and energy efficiency”. This project will help the city achieve both aims.
- 4.3.2 Affordable Warmth has been adopted as a priority by the Health Improvement Board as a result of the scrutiny enquiry on fuel poverty.

4.4 Resources and value for money

- 4.4.1 Using the fund to maximise take up of other grants will increase the level of grant award and other funding spent in the city.
- 4.4.2 Because the fund is discretionary Better Homes Yorkshire will apply for funds on a case by case basis. This, together with the eligibility criteria defined for each scheme, will enable the Home Energy Team to ensure that the resources are being spent according to value for money considerations.

4.4.3 Capital Funding and Cash Flow

2015/16

Capital funding £144,012 of which £124,300 has been committed through the schemes mentioned above.

Further smaller capital sums will be available later in 2015/16.

Any revenue implications will be provided for within existing directorate budgets.

4.5 Legal Implications, Access to Information and Call In

4.5.1 There are no significant legal implications.

4.5.2 This decision is not open to call in.

4.6 Risk Management

4.6.1 There is minimal risk to Leeds City Council, as the majority of funding is from a dedicated income stream which is provided by Keepmoat and not from the Council budget.

4.6.2 The Home Energy Team will monitor all applications to the fund on a case by case basis and provide an audit trail for decisions taken.

5 Conclusions

5.1 The fund will enable us to provide additional value to Better Homes Leeds. It will help to ensure that grant funded schemes achieve maximum take up, better target vulnerable households at risk of fuel poverty and attract further grant funding to the city.

6 Recommendations

The Director of Environment and Housing is requested to:-

6.1 Receive £144,012 of funding from Keepmoat, representing ECO claims for year 1 and 2 of the PFI scheme.

6.2 Receive future sums of money from further ECO rebates over the rest of this financial year. Due to falling ECO rates this is likely to be in the region of £10K. Rates are very volatile so it may be less than this.

6.3 Authorise spend of £132,000 on the projects described above.

6.4 Authorise spend of the remaining year 1 and 2 income, plus any future PFI ECO income, on similar private sector energy efficiency projects for low income households.

6.5 Note that the fund is not advertised but will be used as supplementary funding to ensure other energy efficiency schemes can go ahead.

7.0 Background documents¹

7.1 EDCI Screening Document

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.