

Report of: Director of Environment and Neighbourhoods

Report to: Executive Board

Date: 12th October 2011

Subject: Leeds Home Insulation Scheme

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 checked="" type="checkbox"/> Yes	<input 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. Full Council passed a resolution in July 2010 to develop and deliver a free cavity wall and loft insulation scheme for viable private sector properties across the city (the Home Insulation Scheme) based on the successful Kirklees model.
2. Subsequently, significant effort has gone into securing finance and delivery partners, but policy changes at a national level (notably the change from CERT¹ to the Green Deal²) combined with the austerity challenge mean that the originally envisaged 3-4 year free citywide insulation programme is no longer viable.
3. A refined scheme (option 5) has been designed which retains the original desire to make free insulation open to all to support private sector householders to reduce energy costs, create local jobs, address fuel poverty and reduce CO₂ emissions.
4. A current Leeds City Region (LCR) procurement will enable us to select a contractor and utility partner by the end of October allowing the scheme to start in early 2012.

¹ CERT – the Carbon Emission Reduction Target is an obligation on utilities to invest in energy efficiency measures (typically loft and cavity wall insulation and improved heating) to reduce carbon emissions.

² The Green Deal is due to launch in autumn 2012 and will provide long-term loans to households for energy efficiency measures, with utility savings used to repay loans. It is supplemented by ECO (Energy Company Obligation) to ensure that all households can access affordable help.

Recommendations

- 1.1 To support option 5 to offer free loft and cavity wall insulation to all private sector households across the whole city, supported by marketing campaigns targeting excluded people and disadvantaged geographies.
- 1.2 To use the Leeds Neighbourhood Index combined with a high level assessment of insulation potential to prioritise wards for door-to-door marketing campaigns, but to exclude technically unsuitable areas from intensive marketing to avoid falsely raising expectations.
- 1.3 To use the outcome of the current LCR DEEP tender process to award a contract to the highest scoring bidder to manage and deliver the Home Insulation Scheme.
- 1.4 To supplement the cavity wall and loft insulation offer with a scheme providing solid wall insulation in some of the most deprived areas via CESP³, if suitable areas can be found.
- 1.5 To move £1m of the existing budget to 2012/13.
- 1.6 To work with LCR authorities to develop a follow up Green Deal/ECO scheme to be available from 2013.

³ CESP – the Community Energy Saving Programme is an obligation on energy generation companies to invest in energy efficiency measures (typically solid wall insulation, loft insulation, heating improvements and renewables) in the 10% most deprived Lower Level Super Output Areas nationally, to reduce carbon emissions and tackle fuel poverty.

1 Purpose of this report

- 1.1 This report updates Executive Board on the development of the Home Insulation Scheme and outlines the impact of changing policies on the Council's previous proposed approach.
- 1.2 It presents a series of options to progress the Home Insulation Scheme and seeks approval for option 5, to offer free insulation across the whole city, supported by marketing campaigns targeting excluded people and disadvantaged geographies.

2 Background information

- 2.1 Full Council passed a resolution on the 14th July 2010 to develop and deliver a free cavity wall and loft insulation scheme for viable private sector properties across the city, based on the successful Kirklees model. Kirklees offered free loft and cavity wall insulation to all privately owned and rented households over a 4 year period.
- 2.2 A similar scheme delivered in Leeds is likely to insulate circa 64,500 homes, saving residents £11m on their fuel bills annually and reducing CO₂ emissions by 68,000 tonnes p.a. Implementation of the scheme would take 4,800 households out of fuel poverty, reducing fuel poverty across the city by 2%.
- 2.3 Total costs were estimated at circa £26m, of which £1.3m is in the capital budget for 2011/12. Energy utilities have indicated that they would be willing to at least match fund our investment (through CERT obligations).
- 2.4 Executive Board agreed two recommendations on the 30th March 2011:

“to ring-fence income generated from the Solar PV Initiative to finance Prudential Borrowing for the Home Insulation Scheme and/or energy efficiency/carbon reduction works to the HRA stock”;

“give delegated authority to the Director of Environment and Neighbourhoods to conclude negotiations with CES/ECM, secure Prudential Borrowing against the Solar PV Initiative income and secure delivery partners for the Home Insulation Scheme”.
- 2.5 Since this meeting, significant effort has been put into identifying additional funding (including the ability of utilities to provide match funding) and to secure delivery partners. This has revealed both pressures and opportunities.
 - 2.5.1 Government is almost certain to remove CERT obligations from utilities after 2012. It does not appear that the replacement utility obligation (Energy Company Obligation – ECO) will be able to provide match funding. Therefore we have less than 18 months of secure match funding.
 - 2.5.2 The ALMO solar PV initiative will not generate income to the Council until 2013 and now appears likely to be defined as HRA income. Additionally, as this income is variable depending on the performance of the systems, it will be risky to borrow against the full anticipated income until we know what typical performance is.
 - 2.5.3 The Green Deal will become the main delivery vehicle for domestic energy efficiency from October 2012. As this will be a loan to householders (supplemented

by partial ECO grants to support fuel poor households) we cannot use it as match funding for a free insulation scheme.

2.5.4 The LCR DEEP project is using a fast-track procurement process to secure a framework of utilities and contractors who can secure CERT funding and deliver loft and cavity wall insulation. Soft-market testing has indicated that some utilities are prepared to offer DEEP a much higher match funding percentage than we had assumed. Additionally, a number of companies involved with the tender are indicating that 100% CESP funded projects may be available. CESP is limited to the 10% most deprived LSOAs and is most suitable for solid walled properties, so it may be possible to provide clients in areas that are technically unsuitable for cavity wall insulation with free solid wall insulation.

2.6 In summary, although we have developed a delivery route and are likely to achieve better match funding than anticipated, we only have secure funding of £1.3m. Depending on the outcome of the DEEP procurement process, we are likely to only have funding for between 1/10 and 1/5 of the likely demand for free insulation.

3 Main issues

3.1 Given the significant changes outlined above, a number of options have been explored and refined in consultation with Members, the Solar PV/Home Insulation Project Board and external partners. Several options have been rejected immediately but four and five both offer potential to deliver a scheme close to that originally envisaged:

No	Title of Option	Assessment and Reason for Selection / Rejection
1	Develop the scheme as planned (free cavity wall and loft insulation for all private homes regardless of income level, to be delivered over 3-4 years by the Council).	Rejected – the strong likelihood is that pursuing this option would leave the council a very significant (£18m+) funding shortfall post 2012.
2	Stop the insulation scheme entirely.	Rejected – the political and budget commitments mean that the scheme should not be stopped. Stopping the scheme would lose significant short term finance and miss out on social, economic and environmental benefits to the city.
3	Procure a partner through DEEP to offer discounted insulation, with no free insulation.	Rejected – this runs counter to the council resolution to deliver free insulation. We should seek to deliver free insulation where possible.
4	Procure a partner through DEEP to offer free insulation only in selected wards (with door to door marketing to areas with good technical potential); offer discounted insulation to all other wards.	Possible – although this option is relatively simple, it could be seen to be prejudiced against disadvantaged people living in relatively affluent areas (typically the elderly). There is also the unavoidable risk that once the free areas have been announced we cannot alter the scheme to take in new areas. This is to avoid the scheme becoming unfair on those who chose to have discounted insulation.
5*	Procure a partner through DEEP to offer free insulation across the whole of Leeds. Door to door marketing for selected neighbourhoods with	Preferred – this is the only option that maintains the commitment to provide free insulation to all private sector homes in Leeds. Clearly communicating that the offer is time limited will drive demand right from the start, ensuring that we draw in as much external funding as possible. Marketing the scheme door-to-door in selected areas

good technical potential in more deprived wards; backed up by a campaign across the city.	and through groups that work with disabled, elderly, BME communities and people on low incomes will help to ensure that the majority of the support reaches those who need it most.
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- 3.2 Evidence from the Kirklees Warmzone showed that their door-to-door marketing approach led to over 40% higher uptake than traditional marketing methods. By following this same approach in target wards we can be confident that the majority of our investment will reach those least able to pay for insulation measures.
- 3.3 Using the methodology described in 3.6.2 below, we are currently investigating those wards that can be selected for initial door-to-door marketing.
- 3.4 Changes to price structures and utility priorities (particularly a drive for ‘Super Priority Group’ members) since this scheme was first considered mean that we now anticipate that our investment of £1.3m will pay for circa 13,000 measures, roughly double our original estimates. Due to CERT ending at the end of 2012, we will only have around 12 months to deliver the scheme (allowing two months for initial set-up) meaning we need to deliver c1,080 installations per month on average. If we had to rely on door-to-door marketing alone, assessment rates would need to reach circa 1,500 per month; rates that took Kirklees several months to achieve. Therefore, having the flexibility to generate leads from all wards will help to avoid the risk of under spend.
- 3.5 A critical factor shared between both option 4 and 5 is our ability to provide a delivery partner with a regular stream of high quality leads. Without this, the price we pay per unit will rise significantly. Therefore, we propose to evaluate wards prior to door-knocking to exclude streets/neighbourhoods with no technical potential (typically solid walls and converted lofts) in order to avoid a large amount of wasted effort. The only exception would be if the DEEP procurement secures a partner willing to provide significant funding for solid wall insulation, heating measures and other measures in CESP eligible areas.
- 3.6 In summary, the proposed process to select wards for intensive marketing is to:
- 3.6.1 Use the Leeds Neighbourhood Index (which measures annually the general health and relative success of neighbourhoods across the city) to rank the 108 Middle Layer Super Output Areas (MSOA) by relative deprivation and combine these to create an overall score for each ward. A map showing the distribution and relative deprivation of all MSOAs is contained in Appendix 1.
- 3.6.2 Combine the Leeds Neighbourhood Index scores with a high level assessment of insulation potential by ward (with scores weighted 2/3rd deprivation and 1/3rd insulation potential) to create a ranking for all wards in Leeds.
- 3.6.3 Starting with the ward with the highest overall ranking, create an address list of all non-ALMO properties. This will be refined by eliminating homes with limited technical potential, typically those that were built pre-1930 or post-1991, using a desktop survey (GIS + Google + HECA data).

- 3.6.4 Use the resultant address list to create a patch-book of streets and neighbourhoods with good technical potential, grouped by ward.
- 3.6.5 Initiate intensive marketing campaigns using this patch-book on a ward-by-ward basis. This will take the form of an initial warm-up letter, followed by repeated door-knocking and follow up letters undertaken by uniformed surveyors using PDAs to record data. We will start with the most deprived ward and work towards more affluent wards.
- 3.6.6 In each ward we will also undertake awareness raising work with ward members, uniformed services and key community groups. To supplement the ward-based work we will also undertake specific promotion to clients of third sector organisations that represent excluded people (i.e. Care and Repair, Elderly Action, Sure Start etc).
- 3.6.7 Once the intensive campaign is up and running, we will start a general campaign across the city to drive demand from all parts of the city. This will include articles in the press, case studies, radio interviews, vehicle wrapping, roundabout signage, posters, talks at community groups, a dedicated website linked to the Leeds website, viral e-marketing, etc.
- 3.7 It could be possible to apply some basic eligibility criteria to option 5 (i.e. limiting to households in council tax bands A-C or to households with 3 bedrooms or fewer) but this will always be an arbitrary distinction, so difficult to justify to residents.
- 3.8 Additionally, the intention of this scheme is to both tackle fuel poverty and reduce CO₂ emissions. Typically, properties in more deprived areas have higher rates of fuel poverty and larger properties in more affluent areas emit more CO₂. Therefore, having a scheme that encompasses all property types is more likely to achieve our twin objectives than one that excludes certain property types or residents.
- 3.9 To prepare for the change from CERT/CESP to the Green Deal loan scheme and ECO at the end of 2012, we propose to work with other LCR local authorities to develop a follow up scheme. If possible, this will be designed to maintain a free offer beyond the end of 2012 utilising income from the solar PV community fund or other sources.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 The original proposal for free citywide insulation and this revised approach have been developed and refined in consultation with Members, the Solar PV/Home Insulation Project Board and external partners (including other local authorities, 3rd sector organisations, the Affordable Warmth Partnership and energy experts).
- 4.1.2 Direct consultation with citizens has not been undertaken yet. We will ensure that marketing materials and approaches are fully consulted with appropriate representative groups prior to full launch.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 An EDCI screening has been undertaken which demonstrates that this scheme will not have an adverse effect on equality. The scheme will be open to all private occupiers and eligibility will be determined simply by the technical capability of measures to be installed in the property. Promoting the scheme more heavily in deprived neighbourhoods and through groups representing excluded people will ensure that people who otherwise may not access help are given every opportunity to do so.

4.3 Council Policies and City Priorities

4.3.1 This scheme supports a number of the existing targets and priorities contained in the Council's Policy Framework, namely:

- Vision for Leeds.
- Health and Wellbeing City Priority Plan.
- Sustainable Economy and Culture City Priority Plan.
- Regeneration City Priority Plan.

4.3.2 The scheme also supports other city strategies, most notably the Climate Change Strategy, Affordable Warmth Strategy and the Council's Environment Policy.

4.4 Resources and Value for Money

4.4.1 As noted in the August 2010 and November 2010 Capital Programme Update, £1.3m has been allocated to the Leeds Home Insulation Scheme. Depending on the outcome of the LCR procurement it is anticipated that option 5 will attract between £1.3m and £3.9m of private investment to the city. This in turn will save householders between £1.1 and £2.2m in energy costs per annum.

4.4.2 Unavoidable delays to scheme launch particularly the regional bids for regional growth fund mean that it is very unlikely that all £1.3m of the capital budget will be spent this financial year. Therefore, circa £1m should be moved to 2012/13.

4.4.3 As part of the procurement exercise, companies are asked to describe how their approach will help the LCR to overcome the lack of sustainable jobs in the low carbon economy. This will help to ensure that companies employed to deliver the scheme invest in training and apprenticeships for local people and maximise local job opportunities.

4.5 Legal Implications, Access to Information and Call In

4.5.1 This scheme has no significant legal implications.

4.5.2 No part of this report is considered confidential or exempt. Clearly, the ongoing procurement is confidential but this does not have a material bearing on the options proposed.

4.5.3 The report is open to call-in.

4.6 Risk Management

4.6.1 Option 5 combines two tried and tested approaches to providing free loft and cavity wall insulation and therefore the risks are limited and are being managed. The principal risks are:

- Not securing utility finance or a delivery partner. The ongoing LCR procurement means that we have a number of good options for both.
- Lack of demand for insulation measures. The twin-track approach (ward-by-ward marketing and the citywide campaign) means that we can be confident of generating interest from Leeds residents.

4.6.2 The risks of not going ahead with option 5 are:

- A missed opportunity to attract significant external funding to the city, therefore missing the chance to reduce fuel poverty, create jobs, save residents money and reduce CO₂ emissions.

5 Conclusions

5.1 Significant policy changes at a national level, combined with the austerity challenge, mean that the originally envisaged 3-4 year free citywide insulation programme is no longer viable.

5.2 However, a partnership with other LCR authorities to procure a framework of contractors/utility partners means that better value for money can be achieved than anticipated.

5.3 This will allow a refined scheme (option 5) to be delivered over the next 15 months that retains much of the form of the original scheme to support private sector householders to reduce energy costs, create local jobs, address fuel poverty and reduce CO₂ emissions.

5.4 Every effort will continue to be made to identify other sources of income to enhance the scheme up to the end of 2012 and to create a means to continue the free offer once the Green Deal/ECO starts in 2013, possibly using solar PV income.

6 Recommendations

6.1 To support option 5 to offer free loft and cavity wall insulation to all private sector households across the whole city, supported by marketing campaigns targeting excluded people and disadvantaged geographies.

6.2 To use the Leeds Neighbourhood Index combined with a high level assessment of insulation potential to prioritise wards for door-to-door marketing campaigns, but to exclude technically unsuitable areas from intensive marketing to avoid falsely raising expectations.

6.3 To use the outcome of the current LCR DEEP tender process to award a contract to the highest scoring bidder to manage and deliver the Home Insulation Scheme.

- 6.4 To supplement the cavity wall and loft insulation offer with a scheme providing solid wall insulation in some of the most deprived areas via CESP⁴, if suitable areas can be found.
- 6.5 To move £1m of the existing budget to 2012/13.
- 6.6 To work with LCR authorities to develop a follow up Green Deal/ECO scheme to be available from 2013.

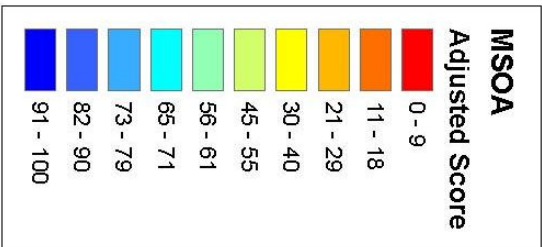
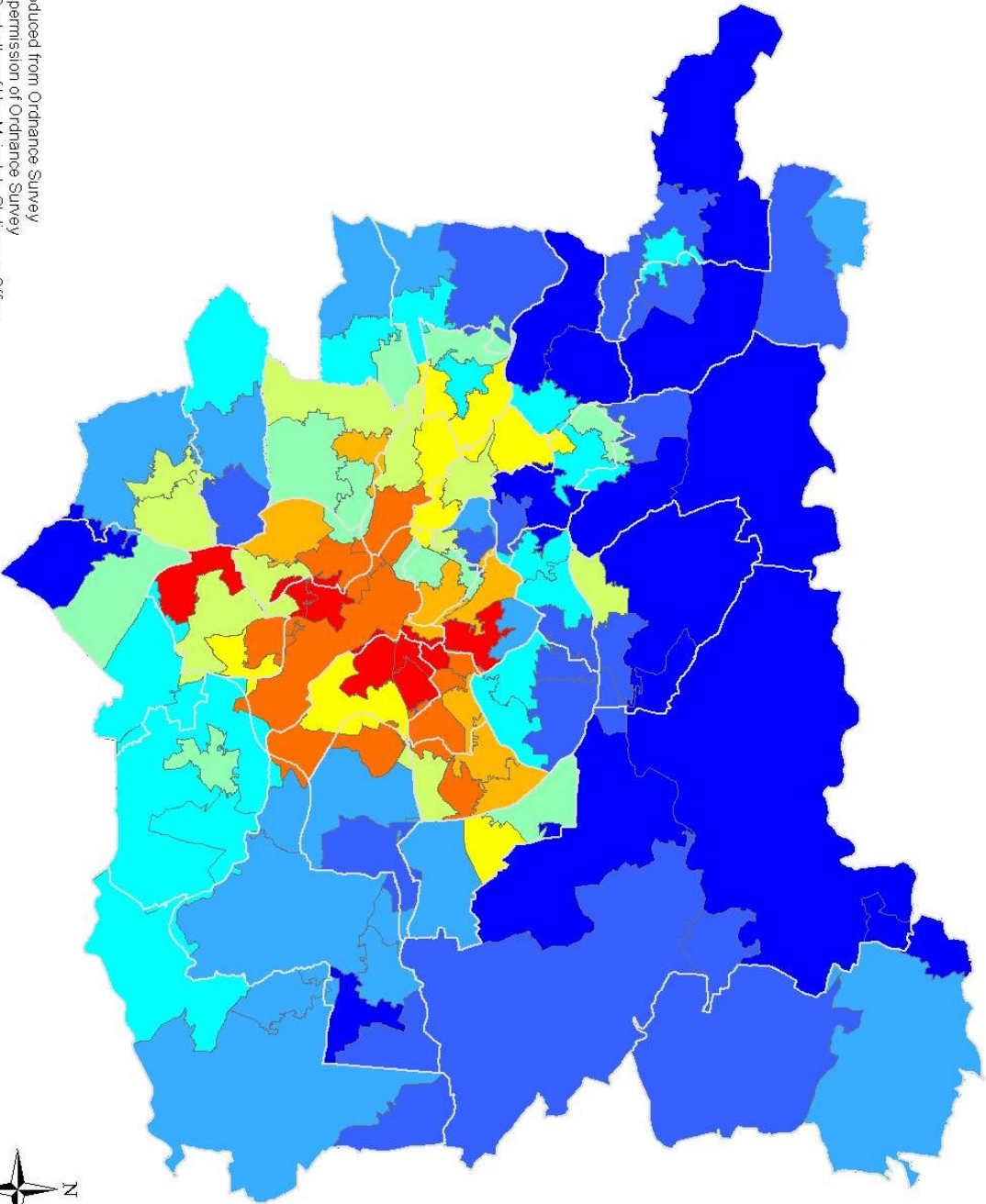
7 Background documents

- 7.1 Capital Programme Update Executive Board Reports – 25 August 2010, 3 November 2010.
- 7.2 Minutes of Meeting of Council – 14 July 2010.
- 7.3 Executive Board reports – 08 December 2010, 31 March 2011.
- 7.4 Leeds City Region DEEP tender documents.

⁴ CESP – the Community Energy Saving Programme is an obligation on energy generation companies to invest in energy efficiency measures (typically solid wall insulation, loft insulation, heating improvements and renewables) in the 10% most deprived Lower Level Super Output Areas nationally, to reduce carbon emissions and tackle fuel poverty.

Appendix 1: Leeds Neighbourhood Index 2010

Leeds Neighbourhood Index 2010



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