

Report to the Cabinet

Report reference: C-065-2013/14
Date of meeting: 3 February 2013



Portfolio: Safer, Greener and Transport
Subject: Energy Efficiency and the Green Deal
Responsible Officer: John Preston (01992 564111).
Democratic Services Officer: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

- (1) That, in order to comply with the Council's revised obligations for HECA and related initiatives:**
 - (a) to agree that in respect of the Green Deal, that this Council takes the role of a promoter;**
 - (b) to note that, proposals for suitable permanent staffing arrangements will be brought forward for subsequent Cabinet consideration; and**
 - (c) to note the Department of Energy and Climate Change's (DECC) proposal for a changed definition of 'Fuel Poverty'.**

Executive Summary:

This report firstly concerns the Home Energy Conservation Act 1995 or HECA. Originally that Act required an annual report to be produced on all the projects undertaken by the Council to improve energy conservation in all housing sectors. This was underpinned by collecting and collating extensive data from all the Council Services concerned, but also liaison with a variety of agencies both inside and outside the Council.

Initially that required the Council to devote significant efforts to gather that data, both within specific teams (particularly within the Housing Service) but also from the then Environmental Coordinator, and subsequently an Assistant Environmental Coordinator as well.

In more recent years, similar information was collected to provide National Indicator information; the gathering of the information was less intensive and was able to be contained within the role of a single Environmental Coordinator albeit still assisted by colleagues in other Directorates.

The re-introduction of a more extensive regime of data gathering is surprising, and raises resourcing issues.

The Government has introduced new energy conservation arrangements, known as the "Green Deal," and this report explains those briefly before going on to consider various ways in which this Council can support the Green Deal and work in partnership with others to the same end. Some caution is necessary because of the less than satisfactory arrangements

which existed in a former such partnership.

Lastly the report draws attention to a proposal to change the definition of 'Fuel Poverty.'

Reasons for Proposed Decision:

The Council needs to respond to, and resource accordingly, a number of high profile initiatives in the energy conservation arena not least the reintroduction of HECA reporting and the Green Deal, a government scheme to provide energy efficiency measures to homes and businesses, which is being implemented nationally from 28 January 2013.

The coordination of energy efficiency measures across the Council is currently the responsibility of the presently part-time Environmental Coordinator in the Planning and Economic Development Directorate. It is considered that these resources may be insufficient to provide the response to these high-profile issues.

Other Options for Action:

The Council could continue with its existing arrangements for coordinating and carrying out its various functions concerned with energy efficiency and carbon reduction. However, a number of initiatives that have been, or are being, introduced, such as The Green Deal and the re-introduction of Home Energy Conservation Act (HECA) reporting, demonstrate that there has been a change in thinking on these issues at Government level.

It is considered that the existing staffing resource of one officer within Planning and Economic Development is likely to be insufficient to effectively coordinate energy efficiency and carbon reduction functions across the Council. Unless this is remedied there is a danger that the Council will not make the most of the financial benefits that could be available to businesses and residents in the District from the Green Deal and other funding streams, and the Council could be otherwise penalised by failing to meet such targets as the Government may put in place under the new HECA Reporting requirements.

Whilst the Environmental Coordinator has coordinated a baseline position for 2013, to make progress expected by Government will not be possible within the existing EFDC arrangements.

Report:

Home Energy Conservation Act Reporting

1. The Home Energy Conservation Act (HECA) was implemented in 1995 and introduced a requirement for local authorities to prepare an annual report of the measures considered practicable, cost-effective and likely to result in significant improvement in the energy efficiency of residential accommodation in their areas. It was required that the annual 'HECA Return' included an assessment of the cost of the energy conservation measures installed in the year and the extent to which carbon dioxide emissions would be decreased as a result.

2. The Council's annual HECA Report was coordinated centrally, originally by one of two members of staff within the Council's Policy Unit with responsibility for the coordination of energy efficiency matters across the Council. However, although the return was collated centrally, it represented a considerable amount of work in terms of data collection as it had to include detailed information from any Service whose work had any effect on the energy efficiency of residential properties, such as Housing, Building Control and Environmental Services.

3. In addition to completing the return, under its HECA responsibilities, the Unit also initiated projects that would reduce carbon emissions by improving the energy efficiency of properties in the District. Not only did this involve liaising with the Council Services mentioned above, but also working with outside agencies. One piece of work undertaken involved identifying vulnerable residents who would benefit from improvements to the energy efficiency of their homes using health workers such as Occupational Therapists and District Nurses. These residents were then provided with advice and supported to have energy efficiency measures installed. However, following a re-organisation of duties, the Unit's responsibilities passed to the Environmental Coordinator, who by then was based in Environmental Services.

4. In 2008 the Government replaced HECA Reporting with a requirement to report progress against National Indicator (NI)187, 'the percentage of people receiving income-based benefits living in homes with a low and high energy efficiency rating'. The data collection for NI187 also imposed a significant burden on local authorities and, in order to keep this within manageable limits, the Department for Energy and Climate Change (DECC) designed a statistical reporting method through which the necessary data could be collected more simply by sending a questionnaire to a sample of residential properties within each District and Borough. NI187 was deleted in 2011, by which time the coordination of energy efficiency matters across the Council had become the responsibility of the Environmental Coordinator, who by then was based within the Planning and Economic Development Directorate.

5. During 2011 and 2012 there was no obligation to report on the energy efficiency of residential properties, but in July 2012 the Government unexpectedly announced an intention to re-introduce HECA Reporting. The Guidance to local authorities on this is attached at Appendix 1.

6. From April 2013 local authorities were required to submit their first Report and issue two-yearly progress reports thereafter. In the first Report Local Authorities were required to set out the energy conservation measures considered practicable, cost-effective and likely to result in significant improvement in the energy efficiency of residential accommodation in their area such as:

- measures that take advantage of financial assistance and other benefits offered from central Government initiatives, such as the Green Deal, Energy Company Obligation (ECO) and other initiatives, to help result in significant energy efficiency improvements of residential accommodation; and
- measures which an authority has developed to implement energy efficiency improvements cost-effectively in residential accommodation by using area based/street by street roll out involving local communities and partnerships (e.g. social housing partners, voluntary organisations and town/parish councils).

7. The Cabinet is asked to note that the work involved in coordinating such schemes and compiling the information needed for the report will call for greater resources in terms of Officer time than are currently available.

The Green Deal

8. The Green Deal has replaced the Government's Warm Front Scheme but is different in that it applies to businesses and social housing as well as to private sector homes. It is planned to be a long-term programme that delivers carbon emissions reductions with positive financial benefits by allowing the cost to residents and businesses of installing energy

efficiency measures to be recovered through their electricity bills.

9. Green Deal programmes can't be provided without a Green Deal assessment by a certified assessor which demonstrates that the occupier of the property will be better off following the work. This achieved by applying the 'Golden Rule' which is that the cost of the measures provided, for example loft or cavity wall insulation, will not cost more to provide than the potential savings on the occupier's energy bills.

10. Where the property fails the 'Golden Rule' and the cost of the work required is greater than can be repaid through the energy bills, such as is likely to be the case with properties that require external wall cladding, the funding provided through the Green Deal can be supplemented by 'Energy Company Obligation' (ECO) funding.

11. Under the Green Deal, which was originally to have gone live on 1 October 2012 but was postponed until January 2013, local authorities, either alone or in partnership with others, can operate in three main ways; as **promoters**, **producers** or **providers**; or through a combination of these. The different models are described in more detail below:

(a) **Promoter:** The local authority carries out general promotional activities, such as advertising, to encourage the local population to work with certain chosen Green Deal providers. The benefit of this is that it minimises the Council's expenditure and exposure to financial risk as there is no contract between the Council and the Green Deal provider.

(b) **Producer:** In this model the local authority would carry out a procurement exercise to appoint a private sector 'producing' service to sign property owners and tenants up to the programme. Members of a panel of Green Deal providers then deliver the work, paying a referral fee to the producing organisation. This would involve greater expenditure by the Council and consequent greater exposure to financial risk.

(c) **Provider:** Local Authority 'Providers' use funds raised through prudential borrowing or use of reserves to finance local Green Deal programmes, re-financing through the Green Deal Investment Bank specially set up by the Government for this purpose. A revenue stream is generated by a single procured Delivery Partner. This model requires high set-up costs, but these can be recovered. The costs, at least initially, would be greatest, as would the risks if the Council adopted this model.

12. The Housing Directorate set up a working group in order to understand and formulate a view on the approach the Council should take with regard to delivering the Green Deal to residents of the District. The Working Group includes Officers with responsibilities for delivering services both to our own tenants and to residents in the private sector.

13. Demand for and uptake of the Green Deal has been slow both nationally and locally and the Working Group has agreed that the best approach at present is to provide information on the Green Deal but to neither encourage nor discourage residents from taking it up. The Housing Green Deal Group will keep these matters under review but it needs to be recognised that, as the Group's focus is only on residential properties, the approach being taken may not reap the full benefits a Corporate response may have for the Council and local businesses. Thus the recommendation is that the Council takes the role of promoter.

Partnership Working

(a) The Essex Energy Efficiency Partnership

14. Former Thames Gateway Sub-Region authorities, Basildon, Castle Point, Rochford, Southend and Thurrock, began working in partnership to explore the possibilities of developing a model to take forward the Green Deal across their area and have invited others to join them including local, registered housing providers and some Hertfordshire authorities.

15. The Group has already had informal discussions with energy providers regarding possible ECO partnerships and is now talking more formally with all the interested companies, with the aim of deciding which ones might be suitable 'preferred partners'. It is planned that the approach being taken will be along the lines of the 'Promoter' model and is not likely, therefore, to require a procurement process. This is because it is considered that member authorities should be able to choose any company to work with, however, if a number of preferred partners are agreed, this will have the benefit of providing some continuity across Essex and, possibly, lever in additional funding.

16. At its meeting on 28 November 2012, the Council's Management Board agreed that more needed to be understood about the advantages and possible risks of the approach being followed before the Council could agree to formally join the Partnership. As a result of this EFDC is the only Council in Essex that is outside the Partnership as it negotiates its first ECO-funded deal with energy providers. Partnership members have agreed, however, that EFDC may still participate on an informal basis with the possibility of becoming a formal member at some time in the future.

(b) HECA East

17. The Council has always liaised with other local authorities in Essex and in the Eastern Region on energy efficiency issues in order to make the most of funding opportunities and share good practice. A former liaison group, the Carbon Action Network (CAN) East partnership, successfully performed this function for several years but after the acrimonious break-up of its leadership, the organisation folded in 2011. It subsequently became apparent that it had effectively contracted with various organisations to provide services for its local authority members and, as a result, it was suggested that other CAN East member councils and ourselves were held responsible for debts incurred by the organisation.

18. Representatives of the 47 councils in the East of England that were members of CAN East now feel that it would benefit them to work together on matters such as the new requirements of HECA Reporting and the implementation of the Green Deal and a move has been made to revive the group albeit under a different name (the HECA East Network) and new Terms of Reference. The Management Board has agreed that, provided the Council's input is proportionate in terms of the benefits achieved, Officers should continue to attend HECA East meetings.

(c) CO₂RE (Carbon Reduction Essex)

19. CO₂RE is an Essex-wide special interest group with a focus on carbon reduction/energy efficiency. It has been in existence for a number of years and includes energy efficiency specialists from all the councils within Essex, including Essex County Council. The group meets two-monthly, generally at Great Baddow and differs from HECA East (see above) in that it is County rather than regionally-based and can, therefore, be more flexible in response to local circumstances and provide local authorities with better opportunities to work in partnership with their neighbours.

20. An example of work that could effectively be undertaken through the group, rather than alone as a local authority, is developing a template on which to make our HECA submission (see above). It would be easier to do this through CO₂RE than for the larger, regional group to adopt such an approach. An agreed County-wide approach would have the added benefit of making it easy to measure the Essex local authorities as a family group on any numerical Key Performance Indicators.

21. Although participating in both the county and regional group could result in a duplication of effort, the regional group is typically more strategic as DECC and other organisations prefer to deal through one group that has access to all the local authorities in the Eastern Region for certain issues rather than dealing with all 47 individually. However, having said this, there are strong links between both the County and regional groups.

22. In order to assess and achieve the possible benefits of working in partnership, particularly with regard to issues such as developing a template for HECA reporting, the Management Board has agreed that Officers should continue to participate with CO₂RE, provided that their input is proportionate in terms of the benefits achieved.

Fuel Poverty

23. The government's current definition of fuel poverty is that a family that has to spend more than 10% of its average weekly income on maintaining a reasonable level of warmth, is in fuel poverty. Current estimates are that about 11,300, or almost 22% of households in the District are in fuel poverty as so defined.

24. Successive governments have stated their commitment to reduce Fuel Poverty, the current target being to eradicate fuel poverty 'as much as possible by 2016'. However, this has been adversely affected both by significant rises in the cost of fuel and also by a reduction in real terms in family income.

25. In 2007 the Council produced a Fuel Poverty Strategy setting out realistic and achievable measures for dealing with the factors that give rise to fuel poverty. It outlines a multi-agency approach by Essex County Council, EFDC, the Primary Care Trust (PCT), Voluntary Action Epping Forest, Warm Front, the Essex Energy Efficiency Advice Centre (EEEAC) and energy supply companies to alleviate fuel poverty for all the residents of the District, regardless of tenure.

26. The Council's Climate Change Strategy 2009 Action Plan states that the Council intends to continue this work and substantially reduce the number of households living in fuel poverty 'by inter-departmental working and through partnerships in District'. A new Climate Change Strategy is currently under development and will include targets for improving energy efficiency as part of the Council's plans for reducing carbon emissions.

27. In September 2012 DECC announced that it was consulting on a new method for calculating fuel poverty following recommendations set out by Professor John Hills of the London School of Economics. This will include a new definition of fuel poverty and will allow for its more accurate measurement as it will include dual indicators to separate the extent of the issue (the number of people affected) from its depth (how badly people are affected).

28. DECC is also considering the knock-on effect that the change of definition will have on the current fuel poverty target set out in the Warm Homes and Energy Conservation Act 2000. At the moment the current target is focused on the eradication of fuel poverty as much as possible by 2016. However, the Hill's review recommends that the target should be amended to align it with the new type of definition.

29. Although it is not clear yet what effect this new definition, and way of measuring, fuel poverty would have if it was to be implemented, the fact that this matter is under consideration is being brought to the attention of the Cabinet as one of a number of changes that may have implications for the Council in terms of the way it deals with energy conservation issues.

Current Arrangements for the Coordination of Environmental Matters at EFDC

30. As is previously mentioned, the coordination of energy efficiency matters across the Council is the responsibility of the Environmental Coordinator in Planning and Economic Development. The Officer presently works part-time and, as well as energy efficiency, her role includes wider sustainability issues.

31. The Council also has a Corporate Green Working Party which is chaired by the Director of Planning and Economic Development and includes representatives of each Directorate within the Council that has an involvement in the consideration, and the promotion, of green issues. The Working Party includes representatives of Housing, Environment & Street Scene and Corporate Support Services (Facilities Management), Planning & Economic Development, Finance and ICT, Internal Audit and Office of the Chief Executive. Representatives on the Working Party are expected to:

- have some knowledge and passion for the subject;
- be prepared to speak up at their own Directorate meeting;
- bring the Environmental Coordinator's attention to projects with green impacts or opportunities (e.g. Feed in Tariff);
- be able to urge and persuade others of the importance of taking green matters seriously;
- be able to explain factors influencing the use of natural resources (such as reduce, re-use, recycle, but in ways that persuade rather than dictate);
- appreciate that careful use of resources can and will reduce expenditure on these items, perhaps securing savings less painfully than in other ways;
- be able to take the messages to wider audiences, outside the Council, such as local businesses and local residents, so as to support the efforts of colleagues, but particularly the Environmental Coordinator; and
- lead by example.

32. In addition to the Working Group already set up within the Housing Directorate to formulate a view on taking the Green Deal forward for domestic residents of the District, the Cabinet is asked to consider the sufficiency of these arrangements in the light of the number of high profile environmental issues currently under consideration or in development.

Resource Implications:

When HECA was first introduced this required significant workload on behalf of the then Environmental Coordinator (a range 6 post) and in 1999 led to the appointment of an Assistant Environmental Coordinator (a range 4 post) This was in addition to the resources devoted from other sections of the Council which were not inconsiderable.

The NI 187 reporting and support work was contained within the present Environmental Coordinator's workload which is a single range 7 post, and has been at that range since 2008

The Council has challenging financial pressures, and is to go through a restructuring process. An Assistant position is therefore required; this might be filled by redeployment from a role that is no longer in the eventual new overall structure. It is suggested that this is probably a range 4 post.

Legal and Governance Implications:

In the light of the Government's decision to reintroduce HECA reporting the Council has little choice but to allocate resources to collate the information necessary to complete the annual HECA return. However, the Council can decide whether to take a proactive approach to the initiation of coordination of partnership working that will result in the development of schemes that will be effective in energy conservation.

Choices also need to be made about what response to take to the Green Deal and ECO funding and which, if any, partnerships to be involved in for the benefit of the residents of the District and local businesses. The adverse experience with one previous partnership must be guarded against in future arrangements but the Council needs to still be ready to work in partnership with others to make the best use of the funding opportunities provided.

In respect of fuel poverty, this will always be a relative concept, but it is a particularly sensitive one. If decisions are taken which suggest that little thought has been given, or that an already disadvantaged group will simply be made worse off, then those decisions may be open to legal challenge.

Safer, Cleaner and Greener Implications:

The report is principally concerned with Green issues, the details of which are set out within the report itself.

Consultation Undertaken:

None

Background Papers:

None.

Impact Assessments:

Risk Management

The Council's budgets, and balancing needs against available resources remains challenging. To take on new risks with the Green Deal against that background calls for caution. To fail to take, or coordinate, actions to tackle fuel poverty would leave individuals or families in such poverty.

Equality and Diversity

Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications? Yes

Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken? No

What equality implications were identified through the Equality Impact Assessment process?

The purpose of the Environmental Coordinator role is to provide a strategic focus for the Council's energy conservation and carbon emissions reduction initiatives. These are delivered on a day-to-day basis through the Housing Directorate, PED (through its Planning

and Building Control functions), DEC (through the LSP's links with local businesses) and CSS (through its responsibilities for the maintenance of the Council's own buildings).

As indicated in the Report, a number of new high profile initiatives have been introduced, such as the Green Deal and ECO, to help meet the government's priorities. The government envisages that local authorities will be crucial in taking these initiatives forward at the local level but also expects councils to express their commitment to its wider aims of improving energy conservation and reducing carbon emissions through the newly introduced HECA reporting.

With the current levels of staffing resources, the best the Council could seek to do is to continue to provide a mainly reactive response at service delivery level. This would preclude a joined-up, corporate response but also limit the financial benefits that are likely to be available from partnership working. The people that are most likely to be disadvantaged by this are those that because of their protected characteristics find it hard to maintain adequate levels of heating, such as older and disabled people and families with young children; and those who are less able to access information and services, such as visually impaired people and those who don't have English as their first language.

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?

The provision of additional staffing resources will allow a proactive approach to the promotion of energy conservation including encouragement to take up schemes such as those funded through ECO and the Green Deal. Unless the promotion of energy conservation and reducing carbon emissions is proactive and targeted, it is not likely that groups that because of their protected characteristics are most in need and/or are the hardest to reach as a result of their protected characteristics will be assisted.