

Local Authorities and the Green Deal

Information note

November 2011

Local Authorities and the Green Deal

This document sets out information that local authorities may wish to consider by way of preparation for the introduction of the Green Deal.

What is the Green Deal?

The Green Deal is a new finance framework that will provide householders and businesses with the upfront capital to carry out energy efficiency improvements to their properties and repay through their energy bill. This will be achieved by attaching a Green Deal charge to the electricity meter at the property concerned with the protection of the Green Deal "Golden Rule", that is, any charge attached must be less than the expected savings from the retrofit.

The Green Deal can be provided by commercial companies, social enterprises and local authorities, acting alone or in partnership. Further details on proposals for the Green Deal are set out in DECC's consultation document at

http://www.decc.gov.uk/en/content/cms/consultations/green_deal/green_deal.aspx

What benefits will the Green Deal offer to local authorities and their communities?

The Green Deal will provide an opportunity to significantly improve the energy efficiency of local homes and businesses. In the process, with millions of British properties requiring insulation, the Green Deal offers an opportunity for local authorities to help drive economic growth, unlocking billions of pounds worth of investment and supporting thousands of jobs. Insulation installers, manufacturers and others in the supply chain, including many small businesses, all stand to potentially benefit.

Potential benefits to local authorities are likely to be:

- new sources of revenue to deliver energy efficiency retrofits;
- help to reduce fuel bills for local residents and businesses;
- opportunities for local economic and physical regeneration;
- support for wider local strategic priorities (better health outcomes, reduced fuel poverty);
- support for the maintenance and generation of local jobs and skills.

How can local authorities get involved?

Local authorities have an important role to play in helping their residents and businesses to realise the benefits of the Green Deal. Every householder and business in the country has a local council they can refer to. Local authorities can also work with local community leaders to generate interest and take-up of the Green Deal, taking opportunities to engage local people and bring communities together to improve cost effectiveness.

Local authorities are therefore well placed to champion the Green Deal locally, stimulating activity to meet specific local needs and supporting wider strategic priorities. In particular local authorities:

- are able to link wider strategic priorities and funding streams e.g. through health, education and regeneration agendas;
- are able to draw on established local networks, partnerships, services and delivery partners;
- can draw on existing links with business and social enterprises and provide gateways through local advice agencies and services;
- are trusted to act in the best interests of their local residents.

To deliver the Green Deal locally there are broadly three approaches local authorities might choose to adopt:

- Provide – the Green Deal directly to their local residents and businesses, co-ordinating finance and delivery;
- Partner - work in partnership with commercial Green Deal providers and community partners to deliver and facilitate delivery; or
- Promote – by acting as advocates for the Green Deal locally.

These are covered in more detail in the appendix below.

What might local authorities do now to prepare for the Green Deal?

The consultation document highlighted above sets out DECC's proposals for the Green Deal and the future Energy Company Obligation. However, local authorities have asked what they can do between now and the Green Deal going live to begin to plan how to help their residents and businesses benefit from the Green Deal.

There are a number of issues local authorities will need to consider in deciding what role/s they might play in delivering the Green Deal. Early planning will provide an advantage when it comes to attracting investment from Green Deal providers (it is anticipated that commercial providers will be seeking partners during 2012) and energy companies. The following section sets out some issues local authorities might wish to consider to prepare for the Green Deal:

Local strategic planning/synergies

- How can Green Deal help deliver and support your local strategic objectives?
- Can it be coupled with other environmental objectives in your area?
- What are the opportunities to link with other energy efficiency, fuel poverty or regeneration schemes e.g. different schemes are available in Scotland and Wales?
- Do you have planned maintenance, refurbishment or regeneration works in the coming year/s that might provide synergies with the delivery of the Green Deal?
- Are there opportunities to roll out Green Deal on a community wide, street by street basis? There are many examples under the Community Energy Saving Programme (CESP) where this has proved cost effective.
- Are there opportunities to utilise other national programmes e.g. the Feed in Tariff and the Renewable Heat Incentive?
- Are your key local stakeholders and businesses aware of the opportunities the Green Deal might provide?
- Are local councillors (and where appropriate the Local Enterprise Partnership) aware of the opportunities?
- Who in the authority needs to know about the Green Deal e.g. what are the financial and legal implications, what planning issues might there be?
- Are there incentives (financial or non-financial) that the authority might offer to help drive demand for the Green Deal?
- Who in your area might benefit the most from improvements in energy efficiency?

Housing stock data

- Do you have a good understanding of the condition of local housing stock and the households for whom Green Deal packages might be most appropriate, including on occupancy and tenures?
- Do you have a local strategy to stimulate interest in and promote the take up of energy efficiency measures?

Potential partners & local supply chains

- Do you have existing partnerships that you can draw on to deliver the Green Deal e.g. relationships developed under CERT & CESP?
- Who are the key local community organisations that you might partner with e.g. to help engage households?
- The major energy suppliers will deliver the future energy company obligation (which replaces CERT & CESP) which will support many Green Deals, is it worth discussing their plans and local opportunities for these with them at an early stage?
- Is there a local supply chain with the necessary skills to deliver the Green Deal – what are the opportunities to create local jobs?
- What procurement requirements might be necessary to deliver the Green Deal locally e.g. the scale of work might dictate specific requirements?
- What can you offer commercial Green Deal partners, what are the benefits of them working with you e.g. do you have potential ‘ready to go’ projects?
- Are there opportunities to work with other councils, social housing providers and/or community groups?

Finance

- What are the benefits to you of financing a Green Deal scheme in your area?
- What are the different financing options available?
- Depending on how you might want to deliver the Green Deal what are the financial/resource implications?
- Are there State Aid issues which might need to be considered?

Next steps

Following the consultation exercise DECC will publish final proposals for both Green Deal and the Energy Company Obligation (ECO) which will be reflected in secondary legislation in 2012.

To support local authorities DECC and DCLG are developing guidance on local carbon reduction and the Green Deal, planned for spring 2012. This guidance will build on the experience from the Local Carbon Framework pilots and support future requirements under the Home Energy Conservation Act 1995 (HECA) in England; HECA has been repealed in Scotland and Wales.

In England, councils are also encouraged to sign up to the forthcoming new Nottingham Declaration, which will enable them to express their ambition for the Green Deal.

In the meantime, both CERT and CESP remain available up to December 2012, significant opportunities still exist under both programmes. CERT & CESP will be replaced by the new ECO which will operate alongside and complement the Green Deal, particularly to support vulnerable, low income households and hard to treat properties (e.g. those with solid walls).

For further information:

For further information on local authorities' involvement in the Green Deal please contact: Steve.ives@decc.gsi.gov.uk or Abigail.Burridge@local.gov.uk or for Wales craig.mitchell@WLGA.GOV.UK

Appendix

POTENTIAL LOCAL AUTHORITY MODELS FOR DELIVERING THE GREEN DEAL

1 Local Authority as a Green Deal Provider

Local authorities might raise finance themselves (sources might include the Public Works Loan Board or commercial sources) either individually or in a consortia to deliver the Green Deal locally. Benefits of such a model could include:

- control over strategic planning and local delivery to address specific local priorities;
- ability to reinvest revenue streams into other local projects;
- direct delivery through local supply chains, creation of local training and employment opportunities.

For example Birmingham City Council (BCC) is exploring a model consistent with this approach and is currently in the process of procuring a Delivery Partner to manage the delivery of the Green Deal, including marketing the programme, engaging customers and selling measures, surveying, assessing, refurbishing and maintaining properties, and managing supply chain growth and innovation.

It is anticipated that BCC will provide up to £75m of finance for an initial Pathfinder Programme (expected to last approximately 3 years) with significant potential further investment through the future energy company obligation.

BCC's 'contract notice' names 22 local authorities, 9 registered social landlords and 3 other public authorities who have expressed an interest in using the services of the Delivery Partner once appointed. Together this has a potential contract value of £1.5bn. The procurement documents (contract notice, pre-qualification questionnaire and descriptive document are available from energysavers@birmingham.gov.uk

2 Local authority as a Green Deal partner

Local authorities might look to form partnerships with one or several commercial Green Deal providers to deliver to their local residents and businesses. This approach might be similar to the relationships many councils already have with energy companies to deliver CERT and CESP schemes.

Benefits of such an approach include:

- retaining an influence over how Green Deal is delivered to local residents and businesses;

- the ability to draw in significant new sources of finance to the local area;
- providing reassurance to local residents and businesses on delivery of Green Deal to maximise take up.

This may prove to be a favoured route for the vast majority of local authorities to deliver the Green Deal. For example Greater Manchester (GM) is already running a social housing scheme in conjunction with existing CERT and CESP offers that is seeking to test elements of the Green Deal process and how this might work for local residents.

This includes a free loft and cavity insulation offer for households in all tenures which will help to engage households, coupled with a consistent approach to resident engagement as set out in the GM behavioural change report 'The Missing Quarter'. Strong networks between GM local authorities, social housing providers, contractors, SME's and colleges are also being developed to build a skilled, competent supply chain, ahead of the introduction of the Green Deal.

3 Local Authority as an advocate for the Green Deal

A local authority may facilitate and/or support commercial Green Deal provision its area, for example perhaps acting as a conduit for local commercial activity and/or providing leads on a commission basis.

Benefits from this approach might include retaining an overview of how Green Deal is being delivered and contributing to local priorities. However, the ability to influence local employment opportunities and links with other strategic objectives may be more limited.

General

These models are not mutually exclusive. Councils might adopt one, all, or part of these approaches to deliver the Green Deal. Other innovative models for delivery may also be developed. DECC is aware of many councils across the country who are already starting to scope the Green Deal, with examples of work with adjacent authorities (e.g. across whole counties) and local delivery partners including Local Enterprise Partnerships and social enterprises.

You may wish to note that the Energy Saving Trust plans to publish a report shortly that considers several models of local authority financing of energy efficiency programmes based on existing best practice.

© Crown copyright 2011
Department of Energy & Climate Change
3 Whitehall Place
London SW1A 2AW
www.decc.gov.uk

URN 11D/888