

Title of meeting: Cabinet Member for Housing – Decision Meeting

Date of meeting: 31st January 2012

Subject: Energy Act 2011 – The Green Deal.

Report by: Alan Cufley, Head of Community Housing and Regeneration

Wards affected: All Wards

Key decision: No

Full Council decision: No

1.0 Requested by

1.1 The Cabinet Member for Housing

2.0 Purpose

To make the Cabinet Member for Housing aware that:

- 2.1 Portsmouth City Council can be involved in how the Green Deal is delivered in the city to householders and businesses.
- 2.2 An officer response to the Government consultation document that has been sent to the Department of Energy and Climate Change on behalf of the city council.
- 2.3 That the Cabinet Member for Environment made a decision on this subject on 25th January.

3.0 Information Requested

- 3.1 The 'Green Deal' is the proposed solution to the problem of a current lack of investment in energy saving measures in homes and non-domestic buildings, resulting in many properties with poor energy efficiency ratings. The 'Green Deal' aims to provide finance to fund fixed improvements to the energy efficiency of domestic and non-domestic properties, which will provide savings for the current and future bill payer.
- 3.2 The 'Green Deal' includes a financial framework that enables energy saving measures to be paid for in instalments via energy bills. The core principle is "the Golden Rule", meaning that the instalment payment for the energy saving measures should not exceed the projected associated cost savings on an average bill for the duration of the Green Deal Finance arrangement, which could be for as long as 25 years.

3.3 The domestic 'Green Deal' model will be supplemented by a new Energy Company Obligation (ECO) from the end of 2012, which draws on the strengths of the existing ECO but also avoids some of its limitations. The new obligation will underpin the 'Green Deal' and focus particularly on those householders (e.g. the poorest and most vulnerable) and those types of domestic property (e.g. the hard to treat) which cannot achieve financial savings without a measure of additional support on top of the 'Green Deal' finance.

4.0 **The 'Green Deal' and Energy Company Obligation – Consultation Document.**

4.1 The consultation document has been fully reviewed by all relevant services within the Council that have a direct interest in Energy saving measures and the full response has been sent to Department of Energy and Climate Change in time for the end of the consultation period.

4.2 The main points of consideration are:

- Not providing a guarantee that the work undertaken will reduce the energy bills to residents and businesses
- The different funding streams ('Green Deal', ECO and ECO Affordable Warmth) create a complicated system of providing insulation or other measures to a property.
- The cost of the initial assessment appears to be open to the market to decide but the amount that will be passed on to the customer or absorbed within the green deal financing is unclear.
- Fixing the 'Green Deal' charge to an energy bill could see some properties being less marketable or harder to rent.
- The provision of an insurance backed guarantee providing greater peace of mind for home and business owners.
- The anticipated interaction between the 'Green Deal' assessor and the bill payer should provide a more comprehensive property assessment than currently occurs which will benefit the occupier.

4.3 The 'Green Deal' presents various opportunities for the city council to support residents and businesses to benefit from the the programme.

4.4. Provider:

4.4.1 To provide the 'Green Deal' directly to customers through co-ordination of the finance and delivery of the products and treatments. Acting in this way, and using the PCC brand, would provide a strong offer to residents and businesses but will require a large amount of time and resource to fully set ourselves up to be in this position.

- As a provider Portsmouth City Council would play a central role in delivering the scheme including, Marketing, Organising finance (and CCA), customer advice and service, Delivering installation works, adhering to the various Codes of Practice and working closely with energy companies..
- The 'Green Deal' is a new concept, "selling" energy efficiency is not easy and with the restrictions placed by the golden rule, could see very limited take up of the scheme.
- Interest can be charged on the green deal financial loan to the customer, which could generate an income, but very dependent upon up take of the scheme. A full in-depth financial appraisal would need to be undertaken.
- To undertake this role, Portsmouth City Council would directly compete with large financial organisations that already have systems in place to enable the Consumer Credit Act licensing.
- A significant financial and administrative infrastructure would be required but there are no guarantees that the income generated would cover the cost of such a set up.
- These links could be created prior to the estimated launch of the 'Green Deal' programme but it is felt that, at the present time, this is not the right approach for Portsmouth City Council to take.

4.5 Partner:

4.5.1 To work in partnership with local 'Green Deal' providers utilising our knowledge of areas that could aid a more commercial based partner to deliver the Green Deal to the energy users.

- We have this knowledge within Portsmouth City Council, located in numerous departments and with co ordination the information could be made available to assist a delivery partner
- Creating a working partnership with a business will take time with clear details as to what the partner and the city council would expect out of the relationship.

For PCC, it could just be statistical data or it could be for us to act in a more facilitating role, again using the branding and current set up within the Council.

- It would be beneficial to the local economy to create a partnership with local installers, however further work would be required to establish the supply chain
- There is limited risk to Portsmouth City Council particularly if the uptake of the 'Green Deal' by residents and businesses is not as great as anticipated.
- The majority of the administration requirement is largely established within Portsmouth City Council and therefore set up costs would be manageable.

4.6 **Promote:**

4.6.1 The Council would just to act as an advocate/promoter for the Green deal to residents.

- Minimal input from PCC which could be done quickly and cheaply. Things such as better use of the web site for pushing information out to customers and using the current officer, who undertake home visits to supply basic information on the green deal to customers.

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Signed by:
Alan Cufley
Head of Community Housing and Regeneration

Appendices:

None.

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
The Energy Act 2011	http://www.decc.gov.uk/en/content/cms/legislation/energy_act2011/energy_act2011.aspx
The Green Deal and Energy Company Obligation – Consultation Document.	http://www.decc.gov.uk/en/content/cms/consultations/green_deal/green_deal.aspx