



Derby City Council

Council Cabinet
7 December 2016

ITEM 12

Report of the Cabinet Member for Urban
Renewal

City Energy Saving Programme (CESP) – Warm Zone Funding

SUMMARY

- 1.1 The City Energy Saving Programme and the predecessor Community Energy Saving Programme (CESP) have been operated by the city council since 2012. The programmes have targeted external wall insulation for hard-to-treat properties in the private sector with solid wall construction, which is the most energy inefficient type in the housing stock of the city.
- 1.2 Although the national Green Deal programme was wound-up in 2015 funding has temporarily become available in partnership with Derby Homes through Warm Zone funding, which is operated by the fuel poverty charity National Energy Action (NEA).
- 1.3 It is proposed that Warm Zone funding will provide approximately £1500 towards the approximately £8k cost of solid wall insulation to a typical 3 bedroom semi-detached property. The balance will be funded by the Council, through a loan to the homeowner over up to 4 years.
- 1.4 It is proposed to fund a one year pilot programme of approximately 45 properties resulting in approximately £240k in homeowner loans in 2016/17 and 2017/18.

RECOMMENDATION

- 2.1 To authorise a 1 year pilot project using the new funding model to determine the likely take-up by homeowners.
- 2.2 To reconfigure the funding model for the CESP programme to include Warm Zone funding with homeowner contributions, allowing participants to repay the initial costs to the Council over a period of 4 years free of interest, secured as a Local Land Charge.
- 2.3 To amend the current 2016/17 funding sources in the Council's Capital Programme in accordance with this report.

REASONS FOR RECOMMENDATION

- 3.1 The CESP programmes have delivered improvements to 325 homes over the 4 years they have been in operation. Installation of solid wall insulation typically reduces

energy bills by an average of £270 per year, increases thermal comfort and reduces lifetime CO2 emissions by approximately 40 tonnes for a typical participating property.

- 3.2 The funding contract signed with Nottingham City Council (the lead authority in the Regional Loan Partnership) states that the purpose of the funding is for the improvement of private sector housing which will be offered in the form of loans to homeowners.



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Report of the Strategic Director of Communities and

SUPPORTING INFORMATION

- 4.1 The council programmes have to date delivered 325 measures to properties including 308 properties insulated and in addition 84 boilers and heating systems upgraded.
- 4.2 The programmes received external start-up funding of £500k from a Regional Loan Fund pilot project which provided working capital, but the funding has predominantly been through a combination of Energy Company Obligation (ECO) and Green Deal Home Improvement Fund (GDHIF) with homeowner contributions providing the balance.
- 4.3 The structure of the original Community Energy Saving Programme allowed the Council to reclaim approximately £430k from our partner energy provider, E.ON, in addition to homeowner contributions of £181k. This external funding has been used to finance the continuation of the project through the local City Energy Saving Programme and can be used to fund homeowner loans in this new project.
- 4.4 The terms of the national Green Deal programme allowed unscrupulous installers access to government funding via the homeowner, and also provided only nominal safeguards against poor quality of work. There are several examples of poor workmanship and practice around the city carried out by Green Deal installers, many of which may still be in operation. By contracting with the Council, each homeowner would be sure that work is carried out to a high standard and carries with it a valid 25-year guarantee.
- 4.5 There are currently over 700 homeowner enquiries for solid wall insulation. A local loan scheme could potentially enable a proportion of these cases to proceed using the recycled homeowner contributions.
- 4.6 The funding/cash-flow model is shown in appendix 2. This demonstrates that the project would return to surplus in year 5 if loans are offered over a 4 year period.
- 4.7 It is proposed to secure the loans by placing a legal charge on the property on the Land Registry entry until the loan is repaid.

OTHER OPTIONS CONSIDERED

- 5.1 Consideration was given to offering a programme which would be fully financed through homeowner loans. The proposed scheme, offering some subsidy from newly available Warm Zone funding to homeowners, is obviously more attractive and will provide a good opportunity for market testing loan take-up by homeowners at relatively modest subsidy levels.
- 5.2 To close the CESP programme. This would remove the option for many homeowners to benefit from lower heating bills, improved comfort in their homes and reduction in carbon emissions. Many homeowners are unable to access the necessary funding through mainstream lenders, or do not have the savings needed to pay for the installation of external wall insulation, and the Council’s loan scheme would enable them to benefit from EWI.

This report has been approved by the following officers:

Legal Financial Human Resources Estates/Property Service Director Equalities IT Health and Safety Environmental Sustainability Risk Management Other	Olu Idowu Mazer Hussain Liz Moore Jane Sowerby Warrington N/a Ann Webster Nick O’Reilly Adrian Jeffs Andy Hills Richard Boneham Ian Fullagar
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For more information contact: Background papers: List of appendices:	Henry Cipcer 01332 640135 henry.cipcer@derby.gov.uk None Appendix 1 – Implications
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	Appendix 2 – Cost and Loan Repayment calculation
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IMPLICATIONS

Financial and Value for Money

- 1.1 The project is broadly self-financing in terms of the Council’s funding contribution except for the provision made for potential bad debt which will be met by the Council’s Housing General Fund Capital Programme and eventually recovered on sale of the property.
- 1.2 The project will deliver approximately £360k worth of energy efficiency improvements to 45 properties. Solid wall insulation to a typical 3-bed semi-detached property costs £8,000 and this would be funded by £1,500 Warm Zone contribution, £500 deposit from the homeowner and £6,000 interest-free loan, repaid over 4 years.
- 1.3 The programme will make provision for bad debt of 10% of the value of the contribution (approximately £24k) which will be recovered via the legal charge on first sale of the property after all other debt recovery routes have been exhausted.

Legal

- 2.1 The Regulatory Reform Order (Housing Assistance) (England and Wales) 2002 gives the power to allow Local Authorities to take any form of security against all or part of the assistance. A minor amendment will be added to the current Housing Renewal Policy 2015-20 to allow Legal Charges to be registered against the amount of loan the Council provides for the EWI installation. This will need to be implemented before any loans are awarded in accordance with the proposal. The charge will be removed when the loan is fully repaid.

Personnel

- 3.1 None

IT

- 4.1 None

Equalities Impact

- 5.1 The project will primarily deliver improvements to properties and reductions to fuel poverty in deprived areas of the city.

Health and Safety

- 6.1 None

Environmental Sustainability

- 7.1 The 2016/17 programme will deliver a carbon reduction of approximately 1800 lifetime tonnes based on 45 participating properties.

Property and Asset Management

- 8.1 None

Risk Management

- 9.1 This scheme would form part of the Council's Capital Programme and progress against forecast delivery would be monitored by the Corporate Capital Board.

Corporate objectives and priorities for change

- 10.1 Promoting health and well-being:
Improving energy efficiency and comfort for residents of properties, reducing the likelihood of households suffering from fuel poverty and winter cold-related illnesses.
- 10.2 Improving housing, supporting job creation and regenerating the city:
Improving the energy efficiency and comfort in 'hard-to-treat' solid wall construction properties.