



DERBY CITY COUNCIL

COUNCIL CABINET
7 September 2010

Report of the Strategic Director for Adults,
Health and Housing

ITEM 7

DERBY CITY COMMUNITY ENERGY SAVING PROGRAMME – CESP

SUMMARY

- 1.1 The Community Energy Saving Programme – CESP – 2009-2012 has been created as part of the Government's Home Energy Saving Programme. It requires gas and electricity suppliers and electricity generators to deliver energy saving measures to domestic consumers in specific low income areas of Great Britain to meet carbon emissions reduction targets.
- 1.2 The report seeks Cabinet approval to enter into a partnership funding agreement with an energy supplier and/or generator that offers the highest amount per carbon tonne, subject to satisfactory terms and conditions being negotiated.

RECOMMENDATION

2. Cabinet authorises the Strategic Director of Adults, Health and Housing, in consultation with the Cabinet Member for Housing and Advice Services and the Strategic Director of Resources, to enter into a funding agreement with an energy supplier and/or generator, to deliver a reduction of 200,000 carbon tonnes in the 10 Lower Super Output Areas – LSOA's – detailed in paragraph 4.2 of this report.

REASONS FOR RECOMMENDATION

3. The energy suppliers/generators have been set a target by Government to deliver 100 projects to a value of £350m nationally. Therefore, there is a need to act swiftly to enter into an agreement to guarantee Derby benefits from this funding.

SUPPORTING INFORMATION

- 4.1 On 11 September 2008, the Prime Minister announced a package of initiatives designed to help people to reduce their fuel bills. One element of this package was the CESP. It aims to deliver around £350m of energy efficiency packages.

CESP...

- places an obligation on energy suppliers and electricity generators to meet a CO2 reduction target by providing energy efficiency measures to domestic consumers.
- requires that this obligation is met by providing these measures to households in areas with high levels of low incomes.
- specifies that only certain measures are eligible to count towards the CO2 targets, focusing on those measures which can make a substantial difference to a household emissions and fuel bills.

- 4.2 Working together DCC and Derby Homes put together a prospectus for potential energy provider and generator partners. We have subsequently had exploratory discussions with a number of organisations about our desire to deliver a CESP scheme in Derby covering areas such as the Osmaston Triangle, Cowsley, Old Sinfen and Austin estates and parts of Alvaston and Allenton. It should be noted the CESP programmes have to be based within a prescribed list of deprived areas that are based on Lower Super Output Areas, LSOAs, so that the programme is not co-terminus with neighbourhood, ward or other easily recognised geographical areas. The areas mentioned cover 10 LSOAs in Derby.

- 4.3 Through this process we have developed proposals for a cross tenure scheme that would deliver measures in about 1,550 properties including internal and external wall insulation, replacement of old and inefficient boilers, provision of loft insulation, draft proofing, and the provision of energy advice. It is anticipated that these measures will save about 200,000 tonnes of carbon per annum for a one off capital cost of about £7.42m. Additionally we have negotiated funding offers from our prospective partners that will cover a significant element of the costs of the scheme; our best offer to date translates to an offer of approximately £3.36m to partner with us. The Council's corporate energy suppliers parent company did put in an offer but this was below the best offer based on 200,000 carbon tonnes. This financial differential will increase if we are able to agree a higher volume of carbon tonnes, which is a realistic possibility.

- 4.4 There are approximately 7000 properties in total in the 10 targeted LSOA areas of which approximately 3500 are Council owned. However, a major modernisation scheme, which included the provision of wall insulation, was carried out during the 1990's and therefore only approximately 60% (2100) of the Council owned properties are eligible for major improvements under the CESP programme. In addition, not every tenant will wish to have these improvements carried out and our best estimates indicate that approximately 40% of the total number of Council properties will benefit from the programme equating to a take-up rate of approximately 67% (1407) of those properties which are eligible.

For the remaining private sector properties, the limiting factor for the numbers of properties we are able to include in the programme is the budget available through

the Regional Loans Project a maximum of £540,000 which will cover approximately 145 private sector properties. Should more finance be available then of course more private sector properties could be made energy efficient.

- 4.5 With regard to the Derby Homes portion of the scheme, it is planned to meet the difference between the costs of works and the partner funding from funds already set aside to carry out improvement works of this kind – the council has already set aside £4.3m of HRA funds for solid wall insulation and replacing old inefficient heating systems.

- 4.6 Estimated costs for delivering the scheme to Council Homes are:

<u>Work to be done</u>	<u>Qty</u>	<u>Unit cost</u>	<u>CESP %</u>	<u>Total cost</u>	<u>CESP £</u>	<u>DCC cost</u>
Insulation and heating	304	£7,250	65%	£2,204,000	£1,432,600	£771,400
Insulation only	314	£4,300	50%	£1,350,200	£675,100	£675,100
Heating only	778	£3,000	15%	£2,334,000	£350,100	£1,983,900
TOTAL	1,396	£4,218	42%	£5,888,200	£2,457,800	£3,430,400

- 4.7 The private sector element to this project will be financed through a combination of CESP funding from the suppliers/generators, repayable grants (grants with indefinite conditions requiring full repayment on sale of the property) and owner contributions. The proportions of these funding elements will vary depending on the property type and the types of energy efficiency measures required, however properties will initially be targeted to give the highest percentage of CESP funding to the Council. The availability of finance for the repayable grants element of this project in 2010/11 is through a capital grant (SCEC) allocation of £540k earmarked for the City Council for a Pilot Regional Loan Project and held by Nottingham City Council on behalf of the partner local authorities.

We are still in negotiation with Nottingham City Council as to how this funding can be used and until this is confirmed it cannot be guaranteed. There is therefore a risk to the number of private sector properties which can be included in the CESP programme.

- 4.8 If Regional Loan Fund resources do not become available, the scheme will still be offered to private sector owners with owner contributions financing the balance between the CESP funding and the total cost. In addition further funding may become available to the Council through the 2011/12 Private Sector Renewal Allocation, if this allocation mechanism remains in place.

If it does not prove possible to finance the private sector elements of the project through the methods set out above it may be necessary to bring back a further report in order to review the CESP targets.

However, our initial projections are that we will deliver energy efficiency works to 145 properties, which we estimate will cost £1.53m, of which, up to £900k may be paid for by the energy provider dependent on the range and numbers of measures included. Contributions from householders will also be used to fund the balance required as described above.

- 4.9 Following the development of the prospectus, we have entered into negotiations with all six energy supplier(s)/generator(s) and these negotiations are still ongoing. The proposal is to enter into a funding agreement that provides Derby with the best offer.

OTHER OPTIONS CONSIDERED

5. For Derby not to enter into an agreement with an energy supplier/generator, will mean that the opportunity to delivery energy efficiency measure to approximately 1,550 properties, with significant external funding, will be lost.

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Background papers:	None
List of appendices:	Appendix 1 – Implications

IMPLICATIONS

Financial

- 1.1 This scheme, if approved, will generate £3.4m towards energy efficiency works to approximately 1,400 Council properties and approximately 150 private sector properties.
- 1.2 The Council has previously set aside £4.3m from the Housing Revenue Account to deliver energy efficiency measures in Council Housing. This can be used to match fund the CESP funding, thereby increasing the number of properties benefiting.
- 1.3 The private sector element of the CESP funding will be match funded by a mix of owner's contributions and loans available to us through the East Midlands Regional Loans Project, which Derby has £540,000 allocated to it.

Legal

2. The Council has powers under The Regulatory Reform (Housing Assistance) (England and Wales) Order 2002 to provide assistance to home owners for home improvements.

Personnel

3. None.

Equalities Impact

4. The scheme is targeted at households living in the top 10% of the most deprived wards in Britain.

Corporate objectives and priorities for change

5. City Growth:
CG3 – To regenerate Derby's neighbourhoods.
CG5 – To contribute to reducing the effects of climate change in Derby.