



## CABINET

25 September 2013

**Subject Heading:**

**Approval to access energy efficiency funding through the Green Deal & Energy Company Obligation (ECO) via a Greater London Authority (GLA) framework.**

**Cabinet Member:**

Councillor Lesley Kelly  
Lead Member for Housing and Public Protection  
Councillor Barry Tebbutt  
Lead Member for the Environment

**CMT Lead:**

Cynthia Griffin  
Group Director for Culture, Community and Economic Development  
Joy Hollister  
Group Director for Children, Adults and Housing

**Report Author and contact details:**

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**Policy context:**

Attracting Green Deal finance and the Energy Company Obligation (ECO) funding for low income households is necessary to improve the energy efficiency of residential properties in Havering, and particularly for helping vulnerable residents facing fuel poverty.

This is a central action in the Council's Fuel Poverty Strategy 2012, and is part of the Council's Climate Change Action Plan and the Corporate Plan. It will achieve outcomes in the Council's Housing Strategy and the Private Sector Housing Strategy in achieving thermal comfort and helping older and vulnerable people to remain safe and independent in their homes.

Tackling fuel poverty, particularly among older residents, is identified as a priority in Havering's Joint Strategic Needs Assessment (JSNA).

**Financial summary:**

The procurement specification is to enable a range of providers to estimate the amount of funding they will be able to bring into Havering to deliver energy efficiency measures. External funding attracted will extend the Council's ability to improve the energy efficiency of its social housing stock.

**Is this a Key Decision?**

Yes. Being part of this framework could potentially secure external funding of up to £1.89million.

**When should this matter be reviewed?**

Annually

**Reviewing OSC:**

Environment

**The subject matter of this report deals with the following Council Objectives**

Ensuring a clean, safe and green borough	<input checked="" type="checkbox"/>
Championing education and learning for all	<input type="checkbox"/>
Providing economic, social and cultural activity in thriving towns and villages	<input type="checkbox"/>
Valuing and enhancing the lives of our residents	<input checked="" type="checkbox"/>
Delivering high customer satisfaction and a stable council tax	<input checked="" type="checkbox"/>

**SUMMARY**

This report asks for permission to take part in a GLA procurement framework to select a preferred provider for accessing funding from the national Green Deal scheme and the ECO strand of the Green Deal, which is targeted at low income households.

It is recommended that the Council access this funding through a preferred provider because of the likelihood that, through the Energy Companies' Obligations within the Green Deal, a significant amount of funding could be brought into Havering, potentially as much as £1.89million over two years, depending on take up.

The GLA has already set up the framework, therefore there will be no costs to the Council in setting up its own framework if it joins the GLA framework. It will also allow us to partner with other London boroughs in accessing funding.

If the council is successful in securing funding through the framework for its social housing stock, this may also free up earmarked funds to be re-directed to other properties in need of improvement work.

### **RECOMMENDATIONS**

1. That the Council enter into an Access Agreement with the GLA as required by the GLA RE:NEW Framework Agreement
2. That the Council commences a mini-competition under and in accordance with the terms of the GLA RE:NEW Framework Agreement to select delivery partners that will access external funding and deliver energy efficiency measures under Green Deal and the Energy Company Obligation, and provide energy saving support for Havering residents to approximately 550 Council properties and 900 private residential properties.
3. To delegate authority for approval of individual ECO and/or Green Deal schemes stemming from this process to the Group Director of Children, Adults and Housing.

### **REPORT DETAIL**

1. In Havering, it was estimated that in 2011 over 10% of households were at risk of fuel poverty. Measures to improve insulation and heating systems of vulnerable households can help tackle fuel poverty, by making their homes more efficient and to help reduce their energy bills. In Havering, where we have a high percentage of older residents, fuel poverty is a particularly significant issue – Havering has the second highest number of excess winter deaths in London. Efforts to keep vulnerable residents' homes warm and energy efficient are important to reduce excess winter deaths and fuel poverty.
2. Since 2010, the Council has secured over £4.8million external funding for energy efficiency measures for Havering residents. This funding has helped residents at risk of fuel poverty to insulate their homes and to replace or repair their boilers and heating systems. Measures have been delivered through various schemes, with a number of different delivery partners, under regional partnerships in London and independently, and with a range of different funding sources.

3. As of January 2013, all of these funding streams have been replaced by the Green Deal and the Energy Company Obligation (ECO). The Green Deal is a form of finance whereby residents in private and social housing can repay the cost of the measure from the savings off their energy bills. ECO are grants funded by energy companies which are available for certain types of measures in certain areas or for eligible households. The ECO strands of funding are for: a) providing heating measures for residents in private housing in receipt of certain benefits; b) installing cavity wall and loft insulation in private and social housing in areas designated as generally being of low income; and c) solid wall insulation for all private and social housing residents.
4. The first ECO period runs until March 2015, and government has determined that approximately £1.3 billion will be available each year for household energy efficiency measures across the UK. It is anticipated that from 2015 there will be future ECO periods with similar levels of funding.
5. Along with the changes to these funding streams, the main framework agreements which the Council used to deliver schemes over the past three years have also ended. One of these frameworks was with the East London Housing Partnership to deliver heating and insulation measures to private residents, which allocated £1.4 million over the past three years in Havering. Another framework was part of the Social Housing Energy Saving Programme to deliver insulation on social housing blocks of flats, and allocated £1.6 million for Council properties in Havering.
6. To continue supporting residents to improve the energy efficiency of their homes, particularly where they struggle to afford their heating bills, the Council now needs to procure delivery partners to provide energy efficiency measures under Green Deal and ECO. Procuring delivery partners will ensure we can provide a comprehensive package of ECO measures and Green Deal promotion for both heating and insulation measures across private sector, social housing and Council properties.
7. Undertaking a single procurement exercise to select delivery partners will minimise staff resources by enabling the Council to identify partners through one exercise for all the strands of work, rather than undertaking multiple selection and negotiation exercises for each individual scheme over the next two years. Also offering the work packages together will encourage better offers from providers by increased scale of potential works, rather than seeking quotes for each individually. A procurement process will deliver best value for the Council and our residents in allowing comparison of the offers from the ECO and Green Deal delivery agents.
8. Working with Green Deal and ECO delivery partners will enable us to secure significant funding to support the Homes and Housing Capital Works programme and provide funding for private residents on a project by project basis. The estimated potential is outlined as Appendix A to this report. Based on our data and initial discussions with delivery agents, it is estimated that the

Council could attract around £1.89million for Council and private housing improvements over the next two years.

9. The Greater London Authority (GLA) has an existing procurement framework for the RE:NEW programme to deliver energy efficiency measures across London, in which Havering participated. RE:NEW involved Home Energy Advisors visiting households in Havering to discuss with residents how they could reduce their energy bills and to identify homes that were eligible for energy efficiency measures (i.e. insulation and heating), which were then installed in the property. The framework allows for participating local authorities to run mini-competitions amongst the 12 approved providers on the framework to deliver Green Deal and ECO schemes. The framework was set up in September 2010 and ends in October 2014, however works can continue beyond that date provided the contract is let by this date. It is proposed that the Havering contract would run until March 2015.
10. We are exploring working jointly with other East London boroughs under the framework in order to offer a greater volume of potential properties. This would increase attractiveness to potential partners, and enable us to combine efforts in administering the procurement process and managing contracts.
11. It is proposed that the Council seeks delivery partners to carry out some or all of improvement works to around 550 Council properties and 900 private properties, all of which would be funded from the Green Deal/ECO schemes. The bids would be assessed in accordance with the criteria laid down in the Framework Agreement. The project team for the procurement will be drawn from housing and corporate policy staff with support from finance, legal and procurement.

## **REASONS AND OPTIONS**

### **Reasons for the decision:**

Procuring services to access funding and deliver household energy efficiency measures is necessary to enable the Council to:

- Address fuel poverty in Havering,
- Assist residents most vulnerable to energy price increases,
- Reduce excess winter deaths and the need for higher levels of social care and health services during winter,
- Improve the quality of housing in Havering,
- Enable older residents to maintain independent living, by ensuring their home environments have adequate heating and insulation, a priority identified in the Havering Health and Well-being Strategy 2012-14,

- Redirect allocated resource in the Homes and Housing capital (Decent Homes) and maintenance budgets, which will allow further works to be delivered.

Using the GLA RE:NEW framework to procure these services is the most cost-effective and efficient mechanism to compare offers by a range of providers and will enable the Council to secure the best offers to deliver a range of measures across housing tenures for the benefit all Havering residents.

**Other options considered:**

**The other options that have been considered are:**

- To tender for the works independently:

This option has been considered but discounted, as it is deemed to be unnecessarily resource intensive. The GLA has procured a Framework Panel of organisations under their RE:NEW project which allows London boroughs to procure for similar services. Some London local authorities will be using the GLA framework, while others may choose to undertake their own tendering exercises. However, the existing GLA framework provides the flexibility in delivering schemes that Havering requires, without the need to undergo a full tender process. Officers are satisfied with the range of contractors on the GLA framework and that it meets procurement rules for Havering.

Using the GLA Framework will enable Havering to procure the services required while requiring less Council staff time and expertise if we were to tender directly. It will enable us to undertake fair comparison amongst a range of providers to determine best value for money, and to procure a larger package of services in order to get better funding offers rather than through quotes for individual projects.

- To not seek to attract external funding:

Green Deal and ECO funding are required to meet the priorities outlined in the Corporate Plan, the Council's Fuel Poverty Strategy, the Climate Change Action Plan, the Housing Strategy, Private Sector Housing Strategy and the Joint Strategic Needs Assessment. The government's Home Energy Conservation Act (1995) requires Councils to report annually on the actions undertaken to promote Green Deal and access ECO in their local authority areas. Without ECO and Green Deal schemes, we would not be able to achieve our objectives to tackle fuel poverty and assist our vulnerable, typically older, residents who may be struggling to adequately heat their homes. This will lead to related social and health impacts for vulnerable residents in winter, resulting in greater pressure on health services and adult social care support for vulnerable residents.

To not seek funding would also ignore opportunities to attract possibly significant funding for the Housing Revenue Account Capital Budget.

**IMPLICATIONS AND RISKS**

**Financial implications and risks:**

The previous regime for energy efficiency involved Councils managing works, and applying for funding under the government Carbon Emissions Reduction Target (CERT) funding programme.

The regime now is that funding is allocated to a range of what the scheme calls “providers” (energy companies and other organisations), under the Green Deal Scheme. “Provider” is a specific term used in the Green Deal scheme.

There are two options for the council to consider under this new regime:-

- Total project management by the “providers”, in terms of procuring works, and bringing in funding
- Havering procure, and use the “provider” to bring in funds.

There are no direct costs to the Council in this process, only officer time.

There is the opportunity to secure funding for HRA stock energy efficiency measures – indicatively shown as £1.29million in Appendix A. Such funding may free up HRA capital resources currently earmarked for energy efficiency.

*Conway Mulcahy, Corporate Finance*

**Legal implications and risks:**

The Council is able to utilise the GLA RE:REW Framework as it is named as a potential user of it. The Framework sets out the procedures and contract documentation that will have to be used in the competitive procurement of providers for the works. All the delivery partners named in the framework will have to be invited to bid. As the estimated maximum value of the Havering contract is £1.89million, the Group Director has delegated power to award the contract.

*Ian Burns, Legal and Democratic Services*

**Human Resources implications and risks:**

Management of providers will be done within existing staff resources or included in external contract management arrangements. Contracts with the winning providers will stipulate that sub-contractors delivering measures will be managed by the supplier. Support by Council staff to assist delivery of measures will be done within existing staff resources.

*Geraldine Minchin, Human Resources*

**Equalities implications and risks:**

Delivery of Green Deal and ECO energy efficiency schemes is an action within the Fuel Poverty Strategy (2012). In the Equality Analysis undertaken for the Fuel Poverty Strategy, it was noted that delivering energy efficiency schemes through Green Deal and ECO will have a positive impact on vulnerable residents, particularly those who may have protected characteristics or other socio-economic disadvantage.

As this action upon which the decision is being made is encompassed within the Equality Analysis of the Fuel Poverty Strategy, no further equalities analysis is required for this decision. However, the measures which accessing the Green deal funding will enable to take place, will have an anticipated positive impact on reducing the prevalence of fuel poverty and further monitoring of this impact with regards to equality implications will take place as the scheme progresses.

*Claire Thompson, Corporate Policy and Community Manager*

**BACKGROUND PAPERS**

1. GLA RE:NEW Framework User Guide
2. Fuel Poverty Strategy Equality Analysis 2012