

**BRISTOL CITY COUNCIL  
CABINET  
4<sup>th</sup> October 2012**

**REPORT TITLE:** Bristol Homes - Winter Warming 2012 Project

**Ward(s) affected by this report:** Citywide

**Strategic Director:** Will Godfrey, Strategic Director - Corporate Services

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**Report signed off by executive member:** Cllr Guy Poultney

**Purpose of the report:**

To seek endorsement for the Bristol Homes - Winter Warming 2012 project that will insulate approximately 600 homes across the city utilising £2m of capital grant funding secured specifically for this purpose from the Department of Energy and Climate Change.

**RECOMMENDATION for Cabinet approval:**

For information only

**Background:**

The Green Deal (GD) is to be launched in October 2012 and to support its early uptake the Treasury has provided the Department for Energy and Climate Change (DECC) with £200m to incentivise householders in the first 2 years of the scheme by contributing towards capital costs, £30m of this must be spent by the end of this financial year.

DECC have approached Core Cities via the City Deals to develop home retrofit schemes to deliver this spend. Bristol City Council (BCC) have been successful in securing £2m of funding, to deliver home energy assessments and retrofit insulation measures to the city's private and social housing stock (BCC stock not included).

This domestic retrofit project forms part of BCC's European Local Energy Assistance (ELENA) Programme under the Green Deal strand of up to £35m. It is hoped that it will help shape the Green Deal offer that BCC are seeking to develop longer-term within ELENA. The £2m capital spent will also count towards the ELENA leverage factor that the Council will have to achieve within a three-year timescale.

## **Green Deal mechanism:**

The Green Deal policy mechanism will allow homeowners to gain the benefits of energy efficiency improvements to their home without requiring the upfront capital, instead the capital will be repaid by a privately financed loan secured to the electricity meter (similar to a standing charge). Due for launch in October, the legal ability to attach loans to a property's electricity meter will now not be in force until the 28<sup>th</sup> January 2013 meaning Green Deals will not be available on the market until after this date. This funding will therefore be used to combine some aspects of the Green Deal, such as accreditation standards, to non-Green Deal subsidies and publicly funded loans to deliver the Bristol Homes – Winter Warming 2012 project.

## **Objectives of the scheme:**

The objectives of this scheme are to:

- Improve the energy performance and thereby living standards of approximately 600 households across Bristol
- Reduce householders' bills thereby helping to alleviate fuel poverty and providing households with greater expendable income, potentially boosting the local economy
- Reduce (heating) energy consumption and related CO<sub>2</sub> emissions
- Support/expand the domestic assessor and energy efficiency installer supply chain, with the provision of additional jobs
- Increase understanding and discussion across the city in energy efficiency and engage stakeholders on the form of any future large scale Green Deal that BCC develops under the ELENA programme

## **Delivery:**

The funding has several conditions attached from DECC, which has influenced the design of the scheme:

- The funding for this project is only available until the 31<sup>st</sup> of March 2013 and is rewarded retrospectively based on monthly performance reports
- The funding is for capital works, however DECC is allowing up to 10% to be used for project management costs.
- Capital costs include home energy assessments leading to installations, the costs of installing the measures and any cash-back offers for successful installations
- Project management costs include energy assessments not leading to installations
- Cash-backs for successful installations are only available to those not receiving fully subsidised packages (i.e. packages receiving a loan offer)
- Neither project management nor capital costs can include communications or evaluation costs, however the European Investment Bank is prepared to fund this
- Money repaid from loans under this scheme is to be invested into addressing fuel poor private households in Bristol

It should be noted that the draft funding conditions were only received on the evening of the 13<sup>th</sup> September 2012. Given the short timescales between the Council securing the funding and the deadline for the funding being delivered, the scheme was designed to be set-up and open to households as quickly as possible whilst ensuring the service is of a high quality for our residents. We are therefore only procuring one partner, known as the delivery partner, who will be responsible for the day-to-day facilitation of Bristol residents accessing this funding. These and others' roles in the scheme are given below.

*Bristol City Council:* responsible for strategic project management of project, including overarching financial management and reporting, monitoring and evaluation, awarding community cash-back (details to be confirmed, but likely awarded shortly after end of project alongside Open Doors event), supporting organization/facilitation of Bristol Open Doors day, key contact for DECC and selecting/supporting others' in their roles.

*(ECO obligated) Energy Supplier:* BCC is hoping to leverage in further funding to support the delivery of Solid Wall Insulation (SWI) and subsidising measures for those in fuel poverty from a large energy supplier, who is financially obligated to support the delivery of these two sectors via the financial Energy Company Obligation (ECO). The Council is already engaged in discussions with the relevant energy suppliers. Details of how the ECO subsidy will be delivered will be discussed and agreed in project inception meetings with the core project facilitation team (BCC, Delivery Partner, Wessex Home Improvement Loans and ECO Energy Supplier).

*Wessex Home Improvement Loans:* Using our existing relationship and service level agreement with Wessex, it is planned to provide elements of borrowed finance for installations at the lowest % interest rate possible. This is in line with Wessex's principle of acting as a not-for-profit Community Development Finance Institution.

*Delivery Partner:* Responsible for managing the customer journey. This involves identifying an accredited home energy assessor and providing payment once assessment is delivered, understanding the assessment and selection of appropriate measures, identifying accredited installers and supporting them in obtaining 3 quotes for works and on successful installation arranging a finance package (subsidy & loan) for the installer. BCC will also request the delivery partner to report monthly progress to allow for the funding to be drawn down from DECC, to develop an information pack to support householders/landlords in understanding the scheme, to gain information/learning from householders during each point of contact so that case-studies and other evaluation material can be developed.

*Bristol Residents:* Homeowners, private tenants and social tenants as primary beneficiaries can take part in the scheme providing they have their landlord's permission (if relevant). BCC tenants are excluded from the scheme as we have our own energy efficiency improvement programmes underway (e.g. cladding programme, boiler replacement programme etc). The delivery partner will help residents in identifying relevant accredited organizations and installers and supporting them in understanding the results of the energy assessments and quotes from the installers. Bristol residents will be referred to the scheme via the Bristol Home Energy Advice Line<sup>1</sup>, ensuring this scheme is best suited to their needs.

*Accredited Home Energy Assessors & Installers:* whilst they are secondary beneficiaries to this scheme via assessment/installation jobs created, it is also in their interest to promote the scheme via their communication channels thereby increasing uptake.

The timescales for this scheme are broadly:

- 21<sup>st</sup> September 2012: £1,997,750 funding agreed and announced, tendering process for Delivery Partner starts, negotiations with ECO energy suppliers occurs and internal structures/relationship with Wessex under this project is defined
- Late October 2012: Delivery Partner appointed, ECO partner selected and other

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<sup>1</sup> Home Energy Advice Line (0800 082 2234) run by Centre for Sustainable Energy (CSE), supported and funded by Bristol City Council (and 8 neighbouring LA's): <http://www.cse.org.uk/news/view/1648>

- project set-up/communication materials including information pack
- Early November 2012 – 31<sup>st</sup> March 2013: Scheme open to householders for assessments/installations
- April/May 2013: Project evaluation, dissemination, open-doors event and discussions on the future shape/delivery of Green Deal with Bristol's stakeholders

The project is currently proposed to be just for the city of Bristol, but the area could be expanded to the West of England in the longer term to ensure residents in the wider sub-region could take part, too. This would also help to ensure that BCC can invest all grant funding within the very short timescales.

## Finances:

DECC have agreed in principle to award BCC with £2m to deliver the scheme, however they have suggested there may be potential to expand this funding if it appears we could exceed this level of delivery. We have supplied the indicative predicted numbers to DECC in securing the funding given below, however the quantities of measures may change based on residents' uptake and housing stock conditions.

*Table 1: Indicative Breakdown of DECC Grant Funding Use*

<b>Capital Costs</b>	<b>DECC Unit Cost &amp; Quantity</b>	<b>£k of DECC Investment</b>
Assessments leading to installations (100% subsidy)	618 x £150	£92,700
External wall insulation installations	100 x £6,000	£600,000
Internal wall insulation installations	20 x £6,000	£120,000
Boiler replacements for those in fuel poverty (100% subsidy)	65 x £1,000	£65,000
Heating control replacements for those in fuel poverty (100% subsidy)	43 x £500	£21,500
Floor and non-typical loft insulation measures	125 x £2,500	£312,500
Boiler Replacements	105 x £3,500	£367,500
Loft & Cavity Wall Insulations	160 x £750	£120,000
Householder cash-backs (for households having to invest their own funding)	510 x £150	£76,500
Community group cash-backs for successful referrals (capped at maximum of £22,500)	150 x £150	£22,500
<b>Total</b>	<b>(90.01%)</b>	<b>£1,798,200</b>
<b>Management Costs</b>	<b>% fee per £1 capital invested</b>	<b>100% delivery finance earned</b>
BCC Project Management Costs	1.24%	£24,750
Delivery Partner Costs (includes assessments unable to lead to installations, estimated to be 332 assessments at £150 each: £49.8k i.e. 65% conversion rate from assessment to installation)	8.75%	£174,800
<b>Total</b>	<b>9.99%</b>	<b>£199,550</b>

To ensure overall project management costs do not exceed 10%, both our project management costs and the contract for the delivery partner will be linked to performance based pay using the % fees identified above.

The level of subsidy for non-fully subsidised installations (i.e. those not in fuel poverty households) is yet to be defined, though indicatively BCC has suggested 60% of the DECC funding for installations is used as subsidy and 40% is used for loans via Wessex. The greater the subsidy the more attractive the scheme is for householders, conversely the greater the level of loan the greater level of funding that can be reinvested in addressing Bristol's fuel poor households following repayment. Views on this will be sought from the core project team (BCC, Wessex, ECO Partner and Delivery Partner) before a decision is taken by BCC.

As mentioned previously, BCC are seeking an energy supplier (ECO) partner to provide additional subsidies to make the financial packages for solid walled properties and those in fuel-poverty financially viable. BCC will pursue negotiations with energy suppliers to attempt to maximise the level of additional subsidy allocated to this scheme, thereby maximising the benefits. Whilst an ECO contribution is not an essential part of this project, if the levels below are not secured the quantities of homes receiving retrofits would be reduced.

*Table 2: Indicative Cost of Additional Subsidy from ECO Energy Supplier*

<b>Capital Costs</b>	<b>Quantity &amp; ECO Subsidy</b>	<b>Total ECO Subsidy</b>
External wall insulation installations	100 x £6,000	£600,000
Internal wall insulation installations	20 x £6,000	£120,000
Boiler replacements for those in fuel poverty	65 x £2,500	£162,500
<b>Total</b>	<b>(90.01%)</b>	<b>£882,500</b>

## **Risk Management / Assessment:**

<b>FIGURE 1</b>							
<b>The risks associated with the implementation of the (subject) decision :</b>							
No.	RISK  Threat to achievement of the key objectives of the report	INHERENT RISK (Before controls)		RISK CONTROL MEASURES  Mitigation (ie controls) and Evaluation (ie effectiveness of mitigation).	CURRENT RISK (After controls)		RISK OWNER
		Impact	Probability		Impact	Probability	
1	BCC spend more than 10% of DECC funding on project management costs, resulting in DECC seeking reimbursement of project management costs over 10% - for instance via assessments not leading to installations	Medium	High	By ensuring the delivery partner and our fees are paid based on a % fee for each £1 of capital delivered, it is very unlikely that the project management fees exceed 10%  It is therefore in the delivery partner's interests to ensure a high conversion rate from assessments to installations	Low	Low	Stephen Hilton
2	If BCC fail to effectively report progress via monthly financial performance reporting to DECC, there may be a delay in receiving reimbursement	Medium	Medium	By setting up effective reporting procedures this risk can be minimised; monthly reporting information to be submitted to BCC will ensure timely and accurate financial monthly reports to DECC on the 15 <sup>th</sup> of each month	Low	Low	Stephen Hilton
3	An assessment or installation results in unsatisfactory customer service/installation, potentially resulting in reputational damage or even legal challenge for	High	Low	Utilising the Green Deal or equivalent accreditation standards and ensuring the contract is between the householder and assessor/installer should ensure assessments/installations are delivered to a high quality.	Low	Low	Stephen Hilton

	reimbursement			If anything is delivered in a form that breaches the contract/accredited standards and the householder is unable to reach an agreement with the assessor/installer, they will be protected via the Green Deal Oversight Body			
4	BCC are unable to secure an energy supplier to provide additional (ECO) subsidy for solid wall insulation and for households in fuel poverty	Medium	Low	BCC have designed the scheme and application to DECC so that this funding is not essential. If ECO subsidy is not secured, DECC funding would be used in its' place reducing the total number of homes benefiting from the scheme. It is however highly likely that some ECO provision is achievable as energy suppliers keen to work with the Council	Low	Low	Stephen Hilton
5	There is a low level of uptake due to not many residents being aware of the scheme – partly due to no dedicated budget for communications being allowed in the bid	Low	High	There are no minimum levels of deployment that need to be achieved, but it is in Bristol's interests to maximise the deployment under this scheme. BCC's communications team working with other project partners can support communications to residents. There is also potential to use ELENA funding to support residents' engagement in the scheme	Low	Low	Stephen Hilton
6	There is confusion on the schemes design, such as; why cash-backs are not available to those in fuel poverty, why the scheme has to close at the end of March, why householders taking part in the scheme must be somewhat committed to having an installation, why BCC residents cannot take part, etc	Low	High	Ensuring clear communication in press releases, in the Delivery Partners' information pack, checking home energy efficiency advisors on the Local Advise line have copies of information packs/understand the scheme and ensuring information is available on BCC's and other project partners' websites should alleviate this problem.	Low	Low	Stephen Hilton

**FIGURE 2**

**The risks associated with not implementing the (subject) decision:**

No.	RISK	INHERENT RISK (Before controls)		RISK CONTROL MEASURES (ie effectiveness of mitigation).	CURRENT RISK (After controls)		RISK OWNER
		Impact	Probability		Impact	Probability	
1	Bristol's households miss out on the opportunity to receive £1.8m worth of capital investment in the form of home energy assessments, energy efficiency retrofits and cash-backs	High	High	BCC's understanding is that this funding is a limited opportunity, linked to the £200m Green Deal early adopters funding. BCC understands future plans for this funding include providing householders who take a proper Green Deal with a financial reward	High	High	Stephen Hilton
2	Bristol's reputation as the UK's Green Capital is damaged, being one of the only Core Cities unable to secure this limited funding	HIGH	HIGH	Liaison with DECC, stakeholder engagement and communications plan	HIGH	HIGH	Stephen Hilton

## Public Sector Equalities Duties

Within the project, equalities duties will be considered and managed as listed below:

- Part of the selection criteria will assess the suppliers' equalities policies and capability to work with fuel poor households
- All information will be offered in formats and languages that are accessible to disabled residents and residents whose first language is not English.

## **Eco impact assessment**

As this report is for information purposes, no formal Eco impact assessment is required. However, it is noted that while there will be environmental impacts associated with the delivery of this project such as the use of construction materials and transport fuel, the overall environmental impact will be positive due to the improved energy efficiency of homes in the city.

### **Advice given by Matthew Sands**

**Date: 22<sup>nd</sup> September 2012**

#### **a. Financial (revenue) implications:**

A project coordinator will be required to support the delivery of this scheme. Whilst we will potentially gain £24,750 for our project management costs via the funding, there is a risk that we would have to contribute some revenue funding if we fail to deliver two thirds of the total programme to provide the gap funding in staff resource.

#### **b. Financial (capital) implications:**

£1.8m of additional capital funding for delivering home improvements in the city of Bristol has been secured. Please see Table 1 for the breakdown of how this capital funding may be invested in Bristol. BCC will however need to provide monthly capital for this scheme upfront to pay assessors/installers, before receiving reimbursement for capital delivered from DECC. The size of this cash-flow depends on the profile of uptake, as an example if there was huge uptake (eg: 30% of capital, ~£540k) before the schemes close in March 2013 we would need to cash-flow this before being reimbursed via the final (April 15<sup>th</sup> or prior) financial performance report to DECC. Within the loan conditions DECC require us to provide these financial performance reports on *or by* the 15<sup>th</sup> of each month starting from the 7<sup>th</sup> November 2012. In return they will endeavour to repay us within 30 days of the Secretary of State receiving a valid and agreeable grant claim.

### **Advice given by Claire Burston**

**Date: 21<sup>st</sup> September 2012**

#### **c. Legal implications:**

The proposed project is well grounded in law and fact. It could answer a range of obligations and make critical and important improvements to housing stock in Bristol.

### **Advice given by Stephen McNamara**

**Date: 21<sup>st</sup> September 2012**

#### **d. Land / property implications:**

BCC housing stock/land not included within this project, due to existing home energy efficiency. There are therefore no BCC land/property considerations.

**Advice given by Jeremy Screen/Steve Barrett**  
**Date: 21<sup>st</sup> September 2012**

**e. Human resources implications:**

Additional staff resource needed paid for by the grant (see a. Financial (revenue) Implications). BCC resource has already been used in securing this £2m grant claim and officers from departments may be needed on an ad hoc basis to provide further support in communicating the scheme and ensuring contracts between project partners are set up in a legal, transparent and fair manner.

**Advice given by Rachel Falla**  
**Date: 22<sup>nd</sup> September 2012**