

**WAVERLEY BOROUGH COUNCIL**  
**EXECUTIVE – 5 MARCH 2013**

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**Title:**

**GREEN DEAL AND ECO (ENERGY COMPANY OBLIGATION) – OPTIONS  
FOR WAVERLEY**

**[Portfolio Holder: Bryn Morgan]**

**[Wards Affected:All]**

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**Summary and purpose:**

The **Green Deal** will be the significant route through which residents can get financial assistance to improve the energy efficiency of their homes. The scheme enables private firms (Green Deal Providers) to offer consumers energy efficiency improvements at no upfront cost and recoup payments through a charge in instalments on their energy bills.

To complement the Green Deal, the government are also introducing the **Energy Company Obligation (ECO)** which is a commitment for the big six energy companies to invest £1.3 billion per year to help low income and vulnerable people that are not able to fund efficiency measures themselves.

It is proposed that Waverley signs up to the Surrey Green Deal scheme delivered by Action Surrey, which is a not for profit independent organisation that has Surrey residents at the core of their operation.

The purpose of this report is to gain permission to actively promote and support a Surrey Green Deal scheme in partnership with the other Surrey LA's. The scheme will offer Surrey residents an energy advice service and assistance to take advantage of available funding on energy efficiency. There is an associated cost of £3k per annum for the first three years that will make the scheme cost neutral by the end of year five.

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**How this report relates to the Council's Corporate Priorities:**

The scheme proposed in this report will deliver value for money by offering a return on the small investment that it requires and at the same time assists residents to reduce the cost of their energy bills..

Promotes energy efficiency in the home that could have implication to those in fuel poverty and vulnerable residents.

Protects the environment by reducing energy and carbon emissions in the Borough.

**Equality and Diversity Implications:**

Vulnerable resident with low income will benefit could benefit by taking advantage of ECO funding. This will reduce their energy bills and keep their homes warm.

### **Environment and Climate Change Implications:**

This scheme has direct implication to reducing energy and therefore carbon emission. Actively promoting energy efficiency will help achieve government targets under the Climate Change Act and the Home Energy Conservation Act.

### **Financial Implications:**

The proposed agreement will commit Waverley to contribute £3,000pa to the project for three years commencing from April 2013. Waverley's maximum commitment over the initial five years of the project will therefore be £9,000. From April 2016 Waverley will participate in the project at no cost and from April 2018 any surplus will be shared between participating councils. If the demand for the service is as expected, over £13,000 would be paid to Waverley in April 2018.

### **Legal Implications:**

The Council has statutory obligations and targets as set out within the body of this report. If approved, the Council would enter into a Memorandum of Understanding with Action Surrey in respect of the Green Deal that would provide the necessary legal and contractual cover for the Council.

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## **1. Introduction**

- 1.1 The **Green Deal** will be the significant route through which residents can get financial assistance to improve the energy efficiency of their homes. The scheme enables private firms (Green Deal Providers) to offer consumers energy efficiency improvements at no upfront cost and recoup payments through a charge in instalments on their energy bills. At the heart of this offer will be a simple rule, that the savings on the energy bills will always be equal or exceed the cost of the works.
- 1.2 The scheme is available to owners, landlords and tenants in both the public and private sector.
- 1.3 To complement the Green Deal, the government are also introducing the **Energy Company Obligation (ECO)** which is a commitment for the big six energy companies to invest £1.3 billion per year to help low income and vulnerable people that are not able to fund efficiency measures themselves. Through ECO, the government aims to help 230,000 low-income households or those in low-income areas.

## **2. Local Authority Role**

- 2.1 The Council has obligations under the Home Energy Conservation Act which has recently been reinforced, to encourage energy conservation in residential accommodation. Councils are expected to report every two years their activities and achievements. The Government is expecting Councils to actively support and promote the Green Deal.
- 2.2 The Green Deal is likely to present the Council with a great opportunity to advance its strategic priorities and deliver its key delivery targets.

- For residents: mitigating fuel poverty against increasing fuel prices, better health outcomes, improving housing stock condition, enabling CO2 reduction.
- For businesses / local economy: economic growth through growth in demand for energy assessments, installation of measures and associated services.

### 3. **The Green Deal Options**

#### 1. **Promoter**

In this role the Council would simply let the market operate freely and act as a promoter of the Green Deal. This would allow the Green Deal providers (for example utility companies) to come in and undertake the work. In addition to providing advice and information on the Council's web pages, this would include providing leaflets, promoting the Green Deal to residents and referring them to the government's Green Deal Advice Service (the Energy Saving Trust). There would be no costs involved with this option.

#### 2. **Producer: Surrey Green Deal**

The Council works in partnership with a non for profit organisation to facilitate Green Deal delivery. As a way forward the Surrey Climate Change Partnership has negotiated a Surrey wide proposal submitted by Action Surrey<sup>1</sup>. Action Surrey will act as a local Green Deal and Eco Advisory service which would:

- Offer Surrey wide marketing and communication campaigns
- Facilitate community engagement and hold County wide events for awareness raising
- Provide a dedicated customer contact centre in Surrey for residents and local installers, with the skills and market knowledge to resolve issues on behalf of Borough and Districts
- Agree partnerships with Green Deal providers and sub-contracting local installers, with an emphasis on quality for consumers and opportunities for local SMEs
- Obtain three quotes from three providers/ installers on behalf of the residents and use expert market knowledge match residents with the best deals available
- Provide a local point of contact for resolution of any complaints to provide greater consumer confidence in the Green Deal / ECO.
- Strategic support and reporting on LA Home Energy Conservation Act (HECA) responsibilities.
- Seek central government funding opportunities and submit joint bids on behalf of the partnership

The cost to the Council is expected to be £3,000 per annum for the first three years. This cost is to assist with initial marketing and promotion as the take up is expected to be low initially. The success of the scheme is heavily reliant on

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<sup>1</sup> Action Surrey is managed by the Energy Centre for Sustainable Communities Ltd which is a Thamesway Group Company. Thamesway Energy Ltd is wholly owned by Woking Borough Council.

publicity and promotion to residents and the generation of referral fees. It is aimed that the scheme will be self sustained after year 3 and a profit share will be paid to all participating Councils by year 5, making it cost neutral. Annex 1 outlines the financial forecast of this proposal but it is subject to the project achieving its objectives. Quarterly reports will be produced officers to monitor achievement. These reports will be reviewed by Waverley's Councillor/officers Carbon Management Board.

### **3. Producer: Partnership with Commercial Provider**

The Council works in direct partnership with commercial Green Deal Providers to facilitate Green Deal delivery.

This would involve setting up a partnership scheme to align with a specialist managing agent or a Green Deal Provider(s) who would project manage and market the Green Deal to homeowners.

It would be necessary to tender for such a partnership arrangement either individually or collectively with other participating local authorities. There would be costs in staff time for procurement but there may be no additional costs.

The table in Annex 2 summarises the strengths and weaknesses of all three options.

### **4. Risks**

- 1. Will Waverley have any liability over unsatisfied customers? - Waverley will have no legal liability.**

By taking part in the Surrey Green Deal scheme, Waverley will be offering an advice service to its residents to understand the process and enable them to make informed decisions as to whether the Green Deal(GD) will be beneficial to them or not. If residents wish to take part, they will be consciously entering an agreement with a GD Provider of their choice. The agreement will be strictly between resident and Provider.

- 2. What if the repayments are more than the monthly savings (the Golden Rule)? - This is a risk however resident should be made aware of this before signing a GD plan.**

The Golden Rule only has to apply for the first year for the resident to qualify for a Green Deal Plan. This criterion is based on the circumstances of the resident at the time of the assessment. There may be changes in personal circumstances, or energy price increases that will alter the initial estimation of savings. The Council will not have liability over this, as the agreement will be between resident and their chosen Provider.

- 3. What if Action Surrey fails? - This is a low risk. It could cost Waverley £3,000. This is the amount that will be paid for the service in that year.**

Action Surrey is heavily supported and subsidised by Woking Borough Council and has been operating for over 4 years.

**4. What if Surrey Green Deal does not work? - This is a low risk.**

The scheme is mainly depended on take up of GD plans and ECO referrals. The financial forecast is based on historical successful referrals from Surrey resident from previous available schemes that have been facilitated by Action Surrey over three years. Slow take up has been taken into consideration in the GD business plan and the primary focus at the beginning will be referrals through ECO, which are heavily subsidised measures for those that are not “able to pay”.

**5. Will residents be pushed into “buying” the Green Deal? - This is a risk.**

However the GD will be happening whether Waverley actively supports it or not.

There will be a lot of companies operating in the Borough that will try to benefit from sales. (This has already started as indicated by resident phone calls to the Council). Waverley is not in a position of being able to control direct sales to residents from Providers. However, the endorsed Surrey Green Deal scheme gives an assurance of a properly and independently managed service. Action Surrey will seek three quotes from different Providers on behalf of residents’, ensuring they are getting value for money.

**6. Doing nothing – this will have a reputational risk**

If we do nothing, there may be damage to Waverley’s reputation if residents feel unsupported and left to their own devices, having to navigate through a complicated scheme such as the GD.

**5. Conclusion**

5.1 The Green Deal will become the main vehicle for delivery of energy and carbon savings in the borough and could have a major impact on the economic development in the area. Option 1 will provide the least support to Waverley residents. Options 2 and 3 demand greater involvement and they support a more positive and leadership role for the Council.

5.2 The Surrey Green Deal (Option 2), delivered on behalf of Local Authorities, by Action Surrey, will be quicker and easier to set up as it is based on an already established process that has worked without major problems in the past few years. There are clear advantages in a partnership approach and 9 Surrey LA’s have already committed their participation to the scheme. Annex 3 outlines the full detailed proposal from Action Surrey.

5.3 This option requires a relatively small financial investment of £3k for the first three years that could be met from the £150k Personalisation and Prevention Partnership Fund (to be confirmed) that Waverley has been awarded for from Surrey County Council and will receive for the next 4 years. This investment

will generate a profit share over time which will make the project cost neutral by end of year five, potentially generating an income thereafter. Annex 1 presents the financial forecast of the scheme.

- 5.4 A local partnership approach is advantageous and has more weight when negotiating referral fees from providers based on higher numbers. It also puts Waverley in a better position when applying for Government funding and will give greater power over specifying local installers and assessors. It recognises local needs and already has a well established relationship with local community groups. Acting as a “broker” it will be offering Value for Money to our residents.
- 5.5 This option will give us immediate access to Government funding that Action Surrey have already secured to kick start the Green Deal by offering free Green Deal assessments to Surrey residents. This benefit for Waverley residents could be of the region of £1500-£2000 in the first year.
- 5.6 Option 3 will have significant procurement and staff resource implications and will require more time to establish. It will carry limited financial risk and is less likely to stimulate local economic growth, as the measures are likely to be delivered by big national installers. This option will give Waverley less control over how it is run.
- 5.7 For all the above mentioned reasons, it is recommended that Waverley supports Option 2 and signs up to the Surrey Green Deal scheme delivered by Action Surrey.
- 5.8 The Green Deal and the energy efficiency sector in general is already very confusing for residents and it will be a real benefit to have one endorsed and supported organisation over the whole county to provide our residents with a consistent, reliable and impartial advice and support service.

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### **Recommendation**

It is recommended that:

1. Option 2 is approved as the way of supporting Green Deal and ECO, at a cost of £3k per annum for three years
2. The above cost is covered by the Personalisation and Prevention Partnership Fund to be awarded by Surrey County Council

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### **Background Papers**

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

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# ANNEXE 1

## Financial Forecast

### Action Surrey Green Deal Financial Projection

	2013	2013/14	2014/15	2015/16	2016/17	2017/18	5 Year total
	START UP	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	
	£	£	£	£	£	£	£
<b>Income</b>							
Private funded measures (referral fees)	0	14,420	13,449	22,359	27,118	43,859	<b>121,204</b>
EPCs (referral fees)	0	120	150	216	252	288	<b>1,026</b>
EPCs (in-house)	0	-	-	-	-	-	-
Green Deal Assessments (referrals)	0	-	-	-	-	-	-
Green Deal Assessments (in-house)	0	-	-	-	-	-	-
Green Deal referral fees	0	15,000	37,500	67,500	105,000	135,000	<b>360,000</b>
ECO referral fees	0	18,370	31,195	50,432	64,055	86,625	<b>250,677</b>
Commercial EPCs	0	-	-	-	-	-	-
Local Authority Funding (£3,000 per Local Authority)	0	36,000	36,000	36,000	-	-	<b>108,000</b>
Thamesway Project Funding	24,200	13,000	10,000	-	-	-	<b>47,200</b>
DECC Start-up Contribution		20,000					<b>20,000</b>
<b>Total Income</b>	<b>24,200</b>	<b>116,910</b>	<b>128,294</b>	<b>176,507</b>	<b>196,425</b>	<b>265,772</b>	<b>908,107</b>
<b>Costs</b>							
Marketing	5,000	35,000	40,000	55,000	65,000	70,000	270,000
Website & Database Development	2,000	6,667	6,833	7,004	7,179	7,359	37,042
Oak Tree House Expenses	1,200	-	-	-	-	-	1,200
Salaries	12,000	54,903	56,276	57,683	59,125	60,603	300,589
Employee Expenses	1,500	6,667	6,833	7,004	7,179	7,359	36,542
Thamesway Overhead Recovery 15% of salaries		8,235	8,441	8,652	8,869	9,090	43,288
Loft Clearances (subsidy for fuel poor)		2,500	-	-	-	-	2,500
Staff training	2,500	2,000	-	2,500	-	-	7,000
Thamesway Refund + 5% of funding			8,000	25,000	16,500	-	49,500
<b>Total Costs</b>	<b>24,200</b>	<b>115,972</b>	<b>126,384</b>	<b>162,843</b>	<b>163,852</b>	<b>154,411</b>	<b>747,661</b>
<b>Net Surplus</b>	<b>0</b>	<b>938</b>	<b>1,910</b>	<b>13,663</b>	<b>32,574</b>	<b>111,361</b>	<b>160,446</b>
<b>Cummulative Surplus</b>			<b>2,848</b>	<b>16,511</b>	<b>49,085</b>	<b>160,446</b>	

## ANNEXE 2

### Strengths and weaknesses of each scheme

1. Promoter		2. Producer Surrey Green Deal		3. Producer Partnership with Commercial provider	
Strength	Weakness	Strength	Weakness	Strength	Weakness
<p>No upfront cost</p> <p>No financial</p>	<p>Passive approach and less likely to stimulate local economy</p> <p>Limited take up without active support from the local authority</p> <p>Non participation in a partnership scheme might be frowned upon by residents.</p> <p>Local SMEs may be unable to tap in to the market.</p> <p>Does not demonstrate leadership or commitment to actively reducing fuel poverty or carbon emissions.</p> <p>Will take up officers time in explaining the scheme to those interested in the scheme.</p>	<p>Familiar framework that already delivers an energy advice service in Surrey</p> <p>Greater degree of input from the Council</p> <p>Greater control over selection of assessors and installers</p> <p>Good understanding of local needs and engagement with local groups</p> <p>Home Energy Conservation Act (HECA)</p> <p>Will provide advice for fuel poor access to ECO funding</p> <p>Not for profit organisation</p> <p>Supports partnership working</p> <p>Would act as a broker getting the best price for residents</p> <p>Point of contact for queries or complaints</p> <p>Profit share from its investment. Proactive funding search and joined applications Immediate access to government funding</p>	<p>Cost implication: £9k over 3 years</p> <p>Potential for adverse publicity if approved providers are ineffective</p> <p>Small financial risk if scheme does not succeed</p>	<p>No upfront cost from the Council</p> <p>No financial risk t</p> <p>Potential income via referral fees.</p> <p>Potential HECA reporting</p> <p>Will provide advice for fuel poor and will have access to ECO funding</p>	<p>Passive approach and less likely to stimulate local economy</p> <p>Cannot guarantee use of local installers or development of local labour force</p> <p>There is potential for adverse publicity if approved providers are ineffective</p> <p>Procurement costs to be considered</p> <p>Marketing costs to be considered</p> <p>More officers time will be required to administer the scheme</p>



**Action Surrey full proposal**

**ANNEXE 3**