

**Chesterfield Council: Enterprise & Wellbeing Committee
ECO/Green Deal Progress Report**

1.0 Introduction

- 1.1 The Green Deal and Energy Company Obligation (ECO) schemes were launched by DECC in January 2013 and replace the nationwide CERT, CESP and Warm Front schemes.
- 1.2 The purpose of Green Deal and ECO funding is to achieve significant carbon saving reductions through the installation of a range of domestic energy efficiency measures which improve thermal efficiency and the efficiency of domestic heating systems.
- 1.3 Green Deal funding is in the form of a private loan, secured against the property and repaid as an additional charge on the electricity bill. If the homeowner moves, the debt remains with the house, unless paid off by agreement as part of the conveyancing process. The cost of Green Deal loan repayments should not exceed the savings made to energy bills by the measures installed. Alternatively the home owner may provide their own finance from savings or mortgage extension or unsecured loans from reputable high street lenders. This form of funding will not normally be appropriate for Social Housing tenants since the basic heating insulation measures will be provided by the social landlord who may appoint an ECO partner to assist with delivery of specific measures.
- 1.4 ECO funding is provided by an obligation placed on the 'big six' energy companies by central government and targeted at low income and vulnerable households. The funds are taken from Energy Company income from the sale of gas and electricity, not from Energy Company profits. The funding may delivered through schemes funded and managed by the energy supply companies or by ECO accredited manufactures and installers. A number of ECO accredited installers are known to be working in the Chesterfield area.
- 1.5 It is anticipated that ECO funding will help low income families obtain basic heating and insulation measures (loft and cavity wall) and subsidise the cost of solid wall insulation to Hard to Treat properties for both Social Landlords and private home owners. More detail on the different elements of ECO is provided in Appendix1.

Chesterfield Council has an opportunity to promote and secure the provision of domestic energy efficiency improvements, particularly solid wall insulation, across all tenures through ECO/Green Deal funding.

2.0 ECO Funding & Council Stock

- 2.1 The Council has an opportunity to tender for an ECO partner to carry out solid wall insulation to it's housing stock. Economies of scale and maximisation of ECO subsidy can be achieved by tendering for an ECO partner who is able to carry out work to both Council stock and the privately owned houses 'pepperpotted' throughout Council housing estates. This approach has already been used at Grangewood and Mastin

Moor. Where ECO subsidy does not meet the full cost of work to privately owned homes the house owner will have to make up the difference.

- 2.2 The Housing Business Planning & Strategy Manager is preparing a report to Cabinet seeking approval to tender for an ECO partner to carry out this work using the East Midlands Efficiency framework. The report is scheduled to go to Cabinet on the 11th February.

3.0 Private Sector Housing

- 3.1 The Council's Private Sector Housing Condition Survey 2009, NEA Fuel poverty projections and more recent health service figures regarding excess winter deaths show that low income home owners in privately owned homes are at greatest risk of harm from excess cold due to inadequate heating and insulation measures.
- 3.2 As a member of the Derbyshire and Nottinghamshire Local Authority Energy Partnership (LAEP) Chesterfield Council has supported the development of a funding bid to the Department of Energy and Climate Change (DECC) Green Deal Communities Local Authority Fund. The purpose of the fund is to deliver external insulation measures for privately owned Hard to Treat Homes across Derbyshire. Derbyshire County Council will act as the accountable body. Delivery will be through tendered contracts working in partnership with the district councils.
- 3.3 The LAEP already has a good track record of securing funding and enabling delivery of basic insulation and heating measures across the county. Last year Chesterfield Home Improvement Agency delivered heating measures worth £184,500 to vulnerable low income home owners across the borough using DECC funded Affordable Warmth grants.
- 3.4 Areas will be targeted according to construction type and income profile, and identified using both local knowledge and provisional data analysis.
- 3.5 If they decide to proceed, Householders will be offered free Green Deal Assessments. Installation costs will attract 40% CERO (Carbon Saving ECO funding) and 40% DECC funding. Householders will be offered Green Deal finance at around 10% APR for the remaining 20%. Green Deal finance will not be actively promoted and householders will be able to use their own finance if they prefer. In some cases Chesterfield Home Improvement Agency may be able to help the householder access alternative grant or Home Repair Assistance funding. All households will be eligible for £650 government cash back which be equivalent to well over half of the interest payments.
- 3.6 On average each council will be able to insulate 50 solid wall homes at an average cost of £8,500 per property.
- 3.7 In addition the LAEP is also developing a separate 'warmth on prescription pilot project' to help identify vulnerable householders with health conditions exacerbated by cold homes who will benefit from energy efficiency measures and advice. The scheme particularly aims to reach homeowners who are difficult to reach by other means e.g. leaflets and mail shots. Some of these home owners would particularly benefit from the solid wall insulation measures proposed.

4.0 ECO Funding Strands

4.1 There are three strands to ECO funding.

- Carbon Saving Communities (CSCO)
- Carbon Saving Obligation (CSO)
- Affordable Warmth (HHCRO)

It is important to note that the only strand of ECO funding that is expected to fully fund the cost of measures is the Affordable Warmth ECO (HHCRO).

4.2 Carbon Saving Communities (CSCO)

4.2.1 Will deliver insulation measures across all tenures in targeted areas of low income defined using the bottom 15% of lower Super Output areas from the indices of Multiple Deprivation in England and Wales. (This follows on from the CESP schemes which were targeted at the bottom 10% of lower Super Output areas e.g. Grangewood)

4.2.2 Chesterfield has 9 CSCO areas located within the following wards

- 2 in Rother
- 2 in Middlecroft & Poolsbrook
- 1 in Barrow Hill & New Whittington,
- 1 in Hollingwood and Inkersall,
- 1 in Loundsley Green
- 1 in Old Whittington
- 1 in St Helen's

4.2.3 These areas contain a significant proportion of Council owned stock.

4.2.4 It is anticipated that the majority of stock in these areas are either 'system built' requiring external wall insulation or Hard to Treat cavities and the area includes a significant percentage of social housing stock. Where these insulation measures are required other carbon saving measures such as replacement boilers and heating system upgrades may also be eligible for ECO funding.

4.2.5 The amount of ECO funding available is based on the overall carbon savings that can be achieved. Homes relying on electric heating sources are likely to generate a higher carbon saving than those with gas powered heating. Usually the ECO funding generated by carbon savings will not be sufficient to fully fund the measures. Economies of scale can be achieved by a cross tenure area based approach and social housing providers seeking to improve their stock should be able to secure significant savings on the cost of solid wall insulation schemes.

4.2.6 ECO funders have also indicated that where the value of measures installed exceeds the value of the carbon savings achieved the excess may be 'banked' and used to help reduce the cost of measures elsewhere.

4.3 Carbon Saving Obligation (CSO) also known as CERO

4.3.1 Is available to fund energy efficiency measures across all tenures to Hard to Treat Homes outside the CSCO areas. The scheme provides a package of measures based

on solid wall or hard to treat cavity insulation. Again economies of scale can be achieved by an area based approach and the comments made above regarding the limitations on funding and 'banked carbon' also apply.

4.3.2 Chesterfield has a number of areas of totally private tenure Hard to Treat Homes which would benefit from solid wall insulation if a significant ECO funding subsidy could be combined with either Green Deal or other forms of private funding (e.g. mortgage extension). However a significant amount of preliminary work would be required to establish the feasibility

4.4 Affordable Warmth ECO

4.1 Will deliver basic heating and insulation measures to **private tenure homes**. Eligibility is determined by a matrix of criteria based on qualifying benefits, age of households members and household income (see Appendix 1 attached). The main measures to be delivered will be loft and cavity wall insulation and replacement gas central heating boilers. Affordable Warmth ECO will not fund external wall or expensive Hard to Treat cavity insulation. Nor will it fund 'enabling measures' e.g. loft access or clearance, changes to pipework or minor electrical work associated with a replacement boiler etc. However, Chesterfield Home Improvement Agency may be able to help low income households find the funding for these ancillary measures.