

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Member – Policy and Resources
Date:	9 March 2011
Title:	Area-based Insulation Scheme for Hampshire - Tender Approval
Reference:	2735
Report From:	Director of Environment

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1. Executive Summary

- 1.1. This paper seeks approval to commence a procurement process to secure the services of a Managing Agent to deliver the Hampshire Area-based Insulation Scheme.
- 1.2. A range of funding options for an area-wide insulation scheme have been considered. The preferred option, endorsed by the Hampshire Senate on 15 February 2011, will offer all households cavity wall and/or loft insulation for £99 each, along with options for additional enhancements.
- 1.3. The total cost of this scheme to the public sector over 18 months is estimated at £810,000; with a 50/50 split of funding between the County Council and the district authorities, and a potential additional contribution from Southampton City Council. The 50% funding contribution from the County Council has been allocated in the approved 2011/12 Budget.
- 1.4. The Senate has agreed that Hampshire County Council will act as the lead authority and manage the scheme on behalf of the district councils; the implementation of the scheme to take place as soon as possible in the 2011/12 financial year.
- 1.5. Timescales for the Carbon Emissions Reductions Target (CERT¹) scheme require the County Council to procure the services of a Managing Agent in order to maximise this funding opportunity which is the main driver for schemes of this nature.

¹ The Carbon Emissions Reduction Target (CERT) is currently the Government's main policy instrument for reducing carbon emissions from the existing housing stock and is due to end December 2012.

- 1.6. The Managing Agent will be expected to secure approximately £7 million CERT funding for the scheme. Contributions would also be made by householders (£99 per measure) with possible additional contributions from Warm Front² for qualifying households.
- 1.7. It is intended that the Area-based Insulation scheme will also provide the foundation for continued work with communities under the upcoming 'Green Deal' and additional work on domestic retrofit post-CERT.

2. Contextual information

- 2.1. Under the auspices of the Hampshire Senate, feasibility work was undertaken against a backdrop of developing green energy policy "the Green Deal", the Feed in Tariff, and the CERT obligation on energy companies.
- 2.2. The feasibility work considered a range of options for an area-based scheme, ranging from no public subsidy to a public subsidy which provides free installation to all residents. The preferred option endorsed by the Hampshire Senate on 15 February 2011 will offer all households cavity wall and/or loft insulation for £99 each. Other services to be offered include information on solar PV installation and Feed-in-Tariffs, DIY (supply only) loft insulation, other energy efficiency advice and support, and referral for wider support services, eg benefits/household finance.
- 2.3. The financial investment proposed would be enough to fund an estimated additional 15,000 cavity wall installations and 8,000 new loft installations per annum (pa), and a combined installation rate from 18,000 pa to 40,000 pa over the next 18 months. The scheme would also generate the following outcomes:
 - (i) an additional ongoing £3.5 million pa energy bill saving for householders;
 - (ii) a CO₂ reduction of over 20,000 tonnes pa; and
 - (iii) creation of 180 jobs and an increase of £11 million in Gross Value Added to the community.

This increased take-up includes around 30% households eligible for free installation without public sector subsidy from Hampshire partners.

- 2.4. The external funding element of the scheme equates to a leverage factor of £1 of local authority funding to approximately £12 of external funding.

² Warm Front is a Government-funded initiative to provide support for vulnerable groups in, or at risk of, fuel poverty. This typically includes low income households and families, disabled and elderly groups. The initiative will reopen after 1 April 2011 for applications.

3. Finance

- 3.1. The total basic cost of this scheme to the public sector over 18 months is estimated at £810,000. Fifty percent of the cost would be met by the combined contributions of the District and Borough Authorities. The remaining 50% is being provided by Hampshire County Council. The total also includes a possible contribution from Southampton City Council³. The provision of the 50% funding of up to £400,000 from the County Council has been allocated within the County Council's budget for 2011/12.
- 3.2. The contribution of approximately £810,000 from the Hampshire Local Authorities will be managed by the Managing Agent, who will also secure the additional CERT funding for the scheme estimated at approximately £7 million, along with the contributions from householders (£99 per measure) and possible additional contributions from Warm Front for 'fuel poor households'⁴. A summary table of these figures is attached in Appendix 1.
- 3.3. The six major energy utilities currently have an obligation to reduce CO₂ emissions as part of their continued business activities. CERT is one of the subsidies that Government introduced to help them deliver this obligation and is due to come to an end in December 2012. The energy companies are currently in the process of allocating CERT funding for 2011/12, on the basis that there will be limited funding available for the remainder of 2012 as they prepare for the ending of the CERT obligation. Once the suppliers have met their obligations, no further Government funding will be available under CERT. There is, therefore, an urgency to implement this scheme to ensure that the County Council does not miss out on the current availability of the subsidy.

4. Performance

- 4.1. The procurement of a Managing Agent, as outlined in this report, will ensure the effective and timely delivery of the current scheme, which will contribute to carbon reduction targets and reduce energy use in Hampshire. In addition, it will maximise the take-up of Government funding, which is essential to ensure the affordability of the scheme.
- 4.2. Delivering such a scheme in Hampshire will also provide for strong foundations for the County Council on future work in this area; such as the upcoming 'Green Deal' and domestic retrofit projects as part of the Hampshire-wide Partnership on Climate Change.

³ With regards to Southampton City Council's possible contribution, confirmation on their participation and funding allocation is being sought.

⁴ A household is recognised as being in fuel poverty if it needs to spend more than 10% of its income on fuel to maintain a satisfactory heating regime.

5. Other key issues

- 5.1. The proposal is based on a scheme covering all Districts and Boroughs within Hampshire, with the possible addition of Southampton City Council. There is scope to extend this further, beyond existing Senate partners, with potential additional benefits.
- 5.2. It should be noted that the County Council will not be match-funding the contribution from Southampton City Council as a Unitary Authority, should it confirm its participation in the scheme.
- 5.3. A Hampshire-wide scheme would support and enhance existing insulation schemes in the county, and will be integrated as necessary.

6. Future direction

- 6.1. It is intended that the Area-based Insulation scheme will also provide the foundation for continued work with communities under the upcoming 'Green Deal' and additional work on domestic retrofit post-CERT.

7. Recommendation

- 7.1. That the commencement of a procurement process to secure the services of a Managing Agent to deliver the Hampshire Area-based Insulation Scheme be approved.

CORPORATE OR LEGAL INFORMATION:**Links to the Corporate Strategy**

Hampshire safer and more secure for all:	yes
Corporate Improvement plan link number (if appropriate):	
Maximising well-being:	yes
Corporate Improvement plan link number (if appropriate):	
Enhancing our quality of place:	yes
Corporate Improvement plan link number (if appropriate):	

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

<u>Document</u>	<u>Location</u>
Senate Report 15 February 2011	http://www3.hants.gov.uk/item6senate15022011.pdf
Copy of letter from Chief Executive, Andrew Smith, to Chief Executives of Hampshire Districts and Boroughs	Attached separately
Summary table for Finance	See Appendix 1

IMPACT ASSESSMENTS:

1. Equalities Impact Assessment:

- 1.1. This scheme will be working in the community to provide equal access to subsidised loft and cavity wall insulation.

2. Impact on Crime and Disorder:

- 2.1. None.

3. Climate Change:

- a) How does what is being proposed impact on our carbon footprint / energy consumption?

Section 2.3 of the report gives a detailed breakdown of the reduction in CO₂ emissions and reduction in energy consumption.

- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

Insulation and general energy efficiency measures will ensure that householders are better prepared for the likely increase in extreme weather events (viz. heatwaves and extreme winters) and are more resilient to their impacts.

Table of Finance:

Scheme Outcome	Baseline Activity without scheme	Marketing and subsidised cost to £99	% of costs
Cavity wall take up	11,809	14,219	
Uninsulated Loft take up	6,414	8,147	
Total loft and cavity wall installations using CERT & Warm Front £	18,222	22,365	
Public Sector capital contribution	£0	£493,555	
Management and marketing**	£0	£316,807	
Total public sector costs	£0	£810,363	
Public Sector contribution	£0	£810,363	7.6%
CERT / contribution	£5,254,376	£6,812,930	63.7%
Warm Front	£544,194	£1,451,185	13.6%
Householder contribution	£2,043,121	£1,618,493	15.1%
Total costs	£7,841,691	£10,692,970	100.0%
Loft top up take up	7,503	8,808	
Boiler take up (Warm Front)	363	967	
Solar PV take up	133	2,332	
Solar PV Capital investment	£1,065,852	£18,652,411	
Total external investment if including Solar PV	£8,907,543	£29,345,381	
Public sector % of costs if including Solar PV	0.0%	2.8%	
Total fuel bill savings pa	£2,505,223	£3,463,590	
Total CO₂ savings pa	14,749	20,614	
Total CO₂ savings (lifetime)	442,456	618,419	
Payback on Council investment (years)	0.00	0.23	
Measures installed in vulnerable households	12,036	17,822	
Fuel bill savings in vulnerable households	£1,158,943	£1,900,842	
Installations in private rented sector	393	517	
% CERT Priority Group	29%	31%	
% non CERT Priority Group	71%	69%	
Jobs Created	74	177	
GVA (Gross Value Added) to economy	£4,512,161	£11,040,027	