

REPORT TITLE: The Green Deal

Relevant Portfolio Holder	Councillor Kit Taylor
Portfolio Holder Consulted	Yes
Relevant Head of Service	Guy Revans
Ward(s) Affected	All
Ward Councillor(s) Consulted	n/a
Key Decision / Non-Key Decision	Non Key

1. SUMMARY OF PROPOSALS

- 1.1 This report sets out the preferred option for moving forwards our participation in the Green Deal and ECO (Energy Company Obligation) as the Council's main delivery mechanism for the previously agreed Home Energy Conservation Act (HECA) aims.
- 1.2 Across the County, two options have been explored. The first, the preferred option arising from a piece of consultancy work by Encraft (commissioned by Worcestershire County Council) was a Community Interest Company (CIC); this has been discounted as a suitable delivery partner could not be found.
- 1.3 The second option was looking at the Birmingham Energy Savers (BES) contract. Officers from Bromsgrove DC and Redditch BC investigated the BES/Carillion option and are recommending to Members that this option be pursued on the basis that it is preferable to procuring a county wide delivery partner such as British Gas or similar, which is the only other option available at this time.

2. RECOMMENDATIONS

- 2.1 That Members agree to working with Carillion in partnership with Redditch Borough Council via the Birmingham Energy Savers procurement route and to formalise this arrangement by entering into a contract with Carillion
- 2.2 That Members grant delegated authority to the Head of Environmental Services and the Head of Legal, Equalities and Democratic Services, following consultation with the Portfolio Holder, to negotiate the contract and to finalise the contract documents and any other associated legal documents.
- 2.3. That Members note that discussions are on-going between Carillion and the other Worcestershire authorities. In pursuing the negotiations for the contract officers will in the first instance be aiming to secure an agreement with Carillion that is County wide. In the event that this does not prove possible, that Members authorise officers to enter into a contract with Carillion on behalf of Bromsgrove and Redditch Councils.

3. KEY ISSUES

Financial Implications

- 3.1 At this stage officers can advise on the financial implications as follows:-
- Carillion are offering to cover the audit costs of ensuring Key Performance Indicators (KPI's) established under the contract are achieved.
 - Carillion will make a payment towards staffing costs which can be utilised to fund a post to manage the contract; if a County Wide agreement is reached this will be maximised.
 - Carillion estimate that the inward investment value of the contract will be £18,000,000 for Bromsgrove over 8 years.
 - There may be scope for applying for EU funding (2014-2020) to help deliver or promote the Green Deal or offer top up finance packages (likely to require match funding though).
- 3.2. With regard to procurement, as Bromsgrove is already a signatory to the BES contract, there will be no need to go out to procurement on the contract with Carillion and the costs of any procurement exercise will be saved. Carillion will pay a finders fee to BES.
- 3.3 A revenue budget of £20K has been approved for the set up costs of Green Deal. Members are asked to note that there may be some fees involved for the drawing up of specifications for the contract. However, whilst detailed information on costings is not available at this stage, officers would expect any such fees to be covered by the existing budget of £20k.

Legal Implications

- 3.4 It is for Members to decide whether they wish to pursue the option of entering into a contract; under the rules governing the Green Deal the Council is not under any statutory obligation to contract with a supplier.
- 3.5 If Members agree to the recommendations in this report, the Council will be entering into a contract with Carillion. As referred to at 2.3, this will either be on the basis of all the County authorities joining together to enter into the contract, or on the basis of only Redditch and Bromsgrove contracting with Carillion.

The proposal is that the Council enters into an 8 year contract with a break clause at Year 3. This will need to be further addressed as part of the contract negotiations. In terms of duration of the contract, Officers are mindful that the contract will need to deliver maximum benefit to the authorities as well as ensuring confidence in the supply chain to allow for growth and investment.

- 3.6 The contract will impose a system of penalty payments to be made by Carillion to the authorities if certain KPI's are not met. Officers would aim to use any such payments received to invest back into the scheme.

Service / Operational Implications

- 3.7 Since the autumn of 2012, the Council has been exploring how it might best interact with the Government's Green Deal programme, formally launched on 28th January 2013. While there is no statutory duty on the Council to participate, the likely benefits from economic development and reducing fuel poverty within the district represent strong incentives to ensure that the Green Deal and its associated Energy Company Obligation (ECO) are taken up as widely as possible and that the Council removes any barriers to take up across all tenures and communities.
- 3.8 The Council is fully engaged with tackling the key issues of fuel poverty, economic development and climate change; and has documented this in its 2013 Home Energy Conservation Act report (March 13) It specifically commits the Authority to undertake its obligations in relation to domestic home energy efficiency to tackle fuel security, combat fuel poverty, and contribute to mitigation of carbon emissions locally. The Council will need to set HECA targets once the delivery mechanism is known and final contract negotiations have been completed.
- 3.9 This proposal could continue to utilise an existing working relationship and use Act on Energy in some way e.g. for referring customers; but this may depend on costs, as these costs may be passed onto the customer.
- 3.10 The KPI's and targets for Bromsgrove and Redditch will have to be different to reflect the differing needs of the areas served by the two Authorities. The same principle will apply if a Worcestershire based Carillion offer is negotiated, and this will result in separate KPI's and targets for each individual Authority.

Customer / Equalities and Diversity Implications

- 3.11 Although the Green Deal and ECO will be available for all domestic and commercial business premises, the Council is specifically committed to improving home comfort and working with those who are currently or likely to be suffering from fuel poverty. These are cross tenure, community wide issues.
- 3.12 The Councils will commit to levering in as much money under ECO as possible, and this covers target groups under affordable warmth (Home Heating Cost Reduction Obligation (HHCRO)); hard to treat cavities and solid walled properties (Carbon Emission Reduction Obligation CERO) and deprived and rural areas (Carbon Saving Community Obligation CSCO), although BDC does not have any areas in the top 15% most deprived areas in England and Wales.

4. RISK MANAGEMENT

- 4.1 Although many of the big utilities are still working to improve their green deal proposals; it is felt that the BES contract offers the Authority a safe and flexible method of delivering Green Deal and ECO. A further risk mitigation is provided by the inclusion of a break clause to allow for flexibility.
- 4.2 Despite developing an exclusive working arrangement with Carillion; there is opportunity for any supplier to market and undertake Green Deal work in the area. While the majority of these will be legitimate companies; there is a risk that because the Green Deal is new and complex, some less reputable people may get involved without understanding the full implications on financial payback etc. This may require the support of Trading Standards in the future.

5. APPENDICES

None

6. BACKGROUND PAPERS

HECA Report

<http://www.bromsgrove.gov.uk/cms/community-and-living/climate-change/heca-report.aspx>

7. KEY

n/a

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