



Report to the Partnership for Urban South Hampshire Joint Committee

Date: **26 March 2013**

Report of: **Alex Parmley, Corporate Director, Eastleigh Borough Council
and PUSH Lead for Sustainability**

Subject: **Solent Green Deal Scheme**

SUMMARY

This report provides an overall outline, the business case and the impact of the Pioneer Places funding on the Solent Green Deal Scheme currently being developed. It outlines how the scheme can be run to generate a small surplus for participating councils. The business case also cautiously estimates generating £107 million of local economic benefit over 5 years through investment in homes that will accrue to SMEs together with the creation of apprenticeships.

RECOMMENDATION

Note the progress in developing the Solent Green Deal Scheme and confirm PUSH's support for implementation of the scheme.

INTRODUCTION

1. At the Joint Committee meeting in December 2012, it was agreed that PUSH would support the development of a Green Deal scheme using the "partner" approach and explore and develop this further. Subsequent to the meeting Southampton, Portsmouth and Eastleigh Councils were successful in securing £455,000 of Department of Energy and Climate Change (DECC) Pioneer Places Funding to develop and launch the scheme. This is required to be spent by 31st March 2013.
2. As a result significant progress has been made in the development of a "Solent" Green Deal scheme that was capable of involving all Hampshire Authorities (not just members of PUSH); that would ensure local economic benefits; and that has a business case that minimised potential risks while providing a surplus of funding for those Councils keen to play an 'active' role. A key reason why it is open to all Hampshire councils is to increase the scheme's financial sustainability and exploit economies if scale.

3. At the time of writing, it is proposed to launch the scheme on the 23 March 2013, in line with the requirements of the DECC funding. This report outlines how the scheme will work, the business case, risk assessment and governance.

HOW THE SOLENT GREEN DEAL SCHEME WORKS

4. Appendix D provides a schematic view of how the scheme will work. It is essentially a collaboration between the public and private sector, using Portsmouth City Council as the public sector lead authority. The following section outlines the various roles, and the impact of Pioneer Places Funding on our ability of sell the scheme.

Public Sector

5. Joint Committee agreed the development of a “Partner” scheme whereby local authorities played to our strengths - communicating with residents about the benefits of Green Deal, **undertaking the Green Deal assessment**, and subsequent to the installation of green deal measures, **working with residents to realise the energy efficiency benefits**.
6. The Pioneer Places funding is enabling the development of a range of marketing tools including:
 - i. a Hampshire Green Deal website;
 - ii. a ready reckoner for residents to undertake a quick and easy self assessment of their homes;
 - iii. show home materials which will be moved between neighbourhoods or town centre locations,
 - iv. static show homes in Portsmouth,
 - v. a marketing strategy, branding, a range of marketing material etc. etc. all of which will be used to develop take up of the scheme.
7. Three options are open to Hampshire Authorities in terms of their involvement in the scheme which are:
 - i. Direct involvement – this involves signing up fully as a partner and employing assessors to meet with residents and receiving income and surpluses from the scheme (N.B. Assessors may not be full time positions initially and may be incorporated in to existing roles e.g. private sector housing team. Costs will be funded by fee income)
 - ii. Endorser – this would be indirect involvement but formally endorsing the Solent Green deal scheme as the Council backed scheme within the area together with promotion of the scheme in the Council area. Referrals generated would be passed to assessors from a neighbouring council.
 - iii. No involvement – this would enable the council to promote Green deal generally and highlight all providers available in the area but with no assurances as to the quality or value for money of the offer or that the economic benefits would derive locally.

Private Sector

8. Our private sector partners who are being selecting through a procurement process will undertake the Provider role outlined in the Green Deal legislation, which includes :

- developing and agreeing green deal plans with residents
 - organising the finance
 - liaising with the energy companies regarding repayment of the loan
 - organising and co-ordinating the installations agreed in the green deal plan, utilising mainly local businesses.
9. Currently (at time of writing) Portsmouth City Council is finalising tender documents prior to tendering for up to 4 private sector providers. The documentation will enable all Hampshire Authorities to work with the selected providers.
 10. The documents will also outline the requirement for Providers to use local Small and Medium Enterprises (SMEs) where practical, and to work with colleges and SMEs developing local apprenticeship schemes.
 11. Due to changes in the business plan to maximise protection for all authorities involved with the Solent Green Deal program, the procurement route has had to evolve from the initial concept. This will provide more security for local authorities, who would need to sign a service level agreement with Portsmouth City Council, whilst the service concession agreement with the providers will be with Portsmouth City Council
 12. This approach is designed to keep risks with those best able to deal with them. Residents will have the comfort of dealing with their local councils for assessments, while contractual arrangements with providers will ensure not only that there will be the appropriate product guarantees, but that where things go wrong there are effective processes in place to achieve a satisfactory remedy.

THE BUSINESS PLAN

13. Recognising that the development of the market for green deal assessments and plans is likely to take time to develop, our plans seek to ensure that supply of assessment services is closely linked with demand. Taking advantage of employment law, we would propose that councils consider training existing staff, but where this is not appropriate that we use temporary contracts to limit employment risk. As demand grows, we can make changes to assessors' employment status.
14. Secondly we have always envisaged that we need residents to know that assessments are not free and so would advertise the cost of the assessment, while indicating that if the assessment was not used it has a shelf life of 10 years, or if green deal finance was not required then the person that requested the assessment would need to pay for it.
15. If the home owner once they have received the written report indicates during the 14 day cooling off period they do not wish to proceed with the green deal plan, the authority who produced the plan, would invoice the home owner for full cost recovery.
16. If however, they chose to use one of the procured providers to develop and carry through a green deal plan taking green deal finance, then the cost of the

assessment would be rolled up into the cost of the plan and the Green Deal Provider would reimburse via Portsmouth City Council the full cost of the report.

17. Both these measures are designed to reduce risk; either financial risk through keeping assessor numbers close to the available work, or reputation risk through making sure that people are clear what they will be charged for.
18. Appendix A shows the model that has been used for calculating what the scheme should charge for GD assessments. Appendix B, using the charge of £150 per assessment, outlines the costs and income streams anticipated as a result, and assumes an increase in the number of assessors who will be undertaking assessments arising under the Energy Company Obligation (ECO) affordable warmth scheme, or other Local Authority negotiated ECO schemes, as well as those generated through our green deal promotional activities. Appendices A, B & C provide the scheme's business case while Appendix D provides a schematic view of how the scheme will operate.
19. The business plan has taken in to account salary costs for assessors: other variable overheads such as transport, answering services and general administration, and fixed costs such as the maintenance and update of the website, project management and marketing activity. The model assumes initially that there are 6 assessors and that as it's the first year they are assessing on 100 days each which means that they can undertake/ be involved in marketing and promotional work at the show homes. It is proposed to budget for 3 assessments each working day. At this level of activity Appendix A indicates the need to charge £150 per assessment in order to cover all costs.
20. Appendix B, which covers subsequent years the model assumes that activity will increase and that more assessors will be employed to meet increased demand. By the end of year 5 the model suggests a net annual income of over £270,000 or a total net contribution (surplus) for the 5 years of £821,000. These figures are generated on relatively modest assumptions of around 17,000 assessments over a 5 year period
21. The approach taken in the business model and plan will safeguard the local authorities position and reduce the overall risk whilst delivering improvements to homes and securing local economic benefit. Based on the relatively cautious and modest take-up envisaged in the business plan, the level of investment generated in to improving homes in the area is estimated at almost £107 million over five years. (Appendix C)

GOVERNANCE

22. The framework for enabling Hampshire authorities to participate in this scheme is primarily being developed by Portsmouth City Council with support from Eastleigh and Southampton Councils. In future it is proposed that the day to day management of the scheme will be undertaken by Portsmouth CC, including taking the role of accredited body that local authority green deal assessors will need to register with. Portsmouth will also manage the website and the other ancillary management tasks required to ensure the scheme operates well.

23. The procurement of partners provides for the financing of a Project Manager position to oversee the project, and it is envisaged that this post will be employed and managed by Portsmouth City Council.
24. In terms of governance, it is proposed that the current project board which is made up of officers from Portsmouth, Southampton and Eastleigh Councils, will expand to include representatives of all the participating local authorities. It has not been agreed who will chair this board and views are welcome on this. However, assisted by the Project Manager and the Project Board, the Chairman will produce an annual report on the scheme to Joint Committee and to individual councils.

Appendices

- A** - Model for Assessing Viable Green Deal Assessment Charges
- B** - Income and Net Surplus Generated from Green Deal Scheme
- C** - Value of Investment Generated into Improving Homes in the Area over the 5 Year Period
- D** - [Schematic View of Solent Green Deal Scheme](#)

Reference Papers:

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Figure 1 : Model for assessing viable Green Deal Assessment Charges						Cost Assumptions					
						cost per officer (Annual) £33,530.00	Admin Support £16,000.00	Annual fixed costs £50,000.00			
	Charge to customer	Number GD per working day	Income per day	Working days	Income	No. of Officers	FULL officer costs			Profit / Loss	
1	£25.00	3	£75.00	100	£45,000.00	6	£217,180.00	£16,000.00	£50,000.00	no	- £222,180.00
2	£30.00	3	£90.00	100	£54,000.00	6	£217,180.00	£16,000.00	£50,000.00	no	- £213,180.00
3	£40.00	3	£120.00	100	£72,000.00	6	£217,180.00	£16,000.00	£50,000.00	no	- £195,180.00
4	£50.00	3	£150.00	100	£90,000.00	6	£217,180.00	£16,000.00	£50,000.00	no	- £177,180.00
5	£60.00	3	£180.00	100	£108,000.00	6	£217,180.00	£16,000.00	£50,000.00	no	- £159,180.00
6	£70.00	3	£210.00	100	£126,000.00	6	£217,180.00	£16,000.00	£50,000.00	no	- £141,180.00
7	£80.00	3	£240.00	100	£144,000.00	6	£217,180.00	£16,000.00	£50,000.00	no	- £123,180.00
8	£90.00	3	£270.00	100	£162,000.00	6	£217,180.00	£16,000.00	£50,000.00	no	- £105,180.00
9	£100.00	3	£300.00	100	£180,000.00	6	£217,180.00	£16,000.00	£50,000.00	no	- £87,180.00
10	£120.00	3	£360.00	100	£216,000.00	6	£217,180.00	£16,000.00	£50,000.00	no	- £51,180.00
11	£150.00	3	£450.00	100	£270,000.00	6	£217,180.00	£16,000.00	£50,000.00	YES	£2,820.00
12	£170.00	3	£510.00	100	£306,000.00	6	£217,180.00	£16,000.00	£50,000.00	YES	£38,820.00
13	£200.00	3	£600.00	100	£360,000.00	6	£217,180.00	£16,000.00	£50,000.00	YES	£92,820.00

Figure 3 – Value of Investment generated into improving homes in the area over the 5 year period							
Total Inspections	Green Deal (number of properties)	LA ECO (Number of Properties)	ECO - Affordable Warmth (Number of properties)	Surplus	Green Deal	ECO - LA	ECO - Affordable Warmth
17040	7040	5000	5000	£820,691	£49,561,600	£25,000,000	£32,500,000
						TOTAL	£107,061,600