

**Name of meeting:** Cabinet  
**Date:** 20<sup>th</sup> December 2011

**Title of report:** The Big Energy Upgrade Programme

<b>Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?</b>	<b>Yes</b>
<b>Is it in the <u>Council's Forward Plan</u>?</b>	<b>Yes</b> July 2010
<b>Is it eligible for "call in" by <u>Scrutiny</u>?</b>	<b>Yes</b>
<b>Date signed off by <u>Director</u> &amp; name</b>	<b>Jacqui Gedman 8/12/2011</b>
<b>Is it signed off by the Director of Resources?</b>	<b>Yes David Smith / financial implications</b> <b>If yes give date 8/12/2011</b>
<b>Is it signed off by the Acting Assistant Director - Legal &amp; Governance?</b>	<b>Yes Vanessa Redfern</b> <b>If yes give date 8/12/2011</b>
<b>Cabinet member <u>portfolio</u></b>	<b>Cllr Mehboob Khan</b>

**Electoral wards affected:** Dewsbury East, Dewsbury South, Golcar, Crosland Moor and Netherton.

**Ward councillors consulted:** Cllr Christine Iredale; Cllr Andrew Marchington; Cllr Hilary Richards; Cllr Paul Kane; Cllr Cathy Scott; Cllr Eric Firth; Cllr Khizar Iqbal; Cllr MasoodG Ahmed; Cllr Salim Patel; Cllr Molly Walton; Cllr Carole Pattison; Cllr Mohammad Sarwar;

**Public or private:** Public

## 1. Purpose of report

To ask Members to consider alterations to the Big Energy Upgrade Programme in light of delays incurred due to the procurement process. This is a key decision in line with Council procedures.

## 2. Key points

2.0 The Big Energy Upgrade programme is a region wide energy efficiency programme which the Council has contractually signed up to deliver, improvements to the domestic energy efficiency of homes within the district,

whilst securing maximum external funding for a Council Capital investment. The original programme had a total anticipated spend of circa £6 million.

2.1 The financing of the works is complex because the criteria for the two external funding streams are not straight forward. The two external funding streams are:

- **Community Energy Saving Support Programme CESP** – This is from the Utilities and is based on carbon savings- so for every tonne of CO<sub>2</sub> emitted that we save there is a £14 payment
- **European Regional Development Fund (ERDF)**. This is to support an innovative approach to energy efficiency measures across communities and job creation, and delivers the Energy Innovation for Deprived Communities programme (EIDC)

2.2 Members should note that the Energy Innovation for Deprived Communities programme (EIDC) is a multi million pound (£14.9m) energy efficiency project that has a consortium of 10 partners across the region of which Kirklees Council is a member, and holds the Lead Accountable Body role, for managing the external funding from European Regional Development Fund (ERDF).

The outputs of this funding is focused on an innovative approach to improving the health and well being of communities as a whole through energy efficiency improvements in hard to treat properties and job creation – which fits with the key priorities of the Council.

2.3 To secure the above funding the council also needs to provide match funding to support the programme to install measures in Council owned and private sector homes.

2.4 The programme is running behind schedule due to a very lengthy procurement process. Also, the external funding streams have tight deadlines and the CESP and ERDF monies must be spent by September and November 2012 respectively. Scaling back of the initially intended programme is therefore necessary to ensure that the works are completed to the required deadlines and external contributions are maximised.

2.5 The council was and still is looking to undertake work in five areas:-

- ERDF and CESP funding will support three localities – Golcar, Chickenley and Eightlands—**primarily Council properties** with some Private Sector Housing that are located within these areas.
- **Private Sector Housing** in Thornton Lodge and Saville Town are not eligible for ERDF but would be supported through CESP funding.

2.6 Officers have appraised a range of five options to ensure maximum delivery in terms of outputs and meeting the tight deadlines.

**Option 1** - Halt the programme, withdraw from the consortium, and deliver no further measures.

**Option 2** - Deliver measures to Council and PSH properties with KC + (HRA) capital only. (Includes all 5 area schemes) **No external funding** with selected technologies only.

**Option 3** - Deliver the Programme, as per the EIDC Business case (includes all 5 area schemes) with ERDF + CESP funding with selected technologies only.

**Option 4** - Deliver measures to Council and PSH properties with KC + (HRA) capital - (includes all 5 area schemes) **with CESP** funding only with selected technologies as above option 2.

**Option 5** - Deliver measures to Council and PSH properties with KC + (HRA) capital (includes only 3 area schemes, Golcar, Chickenly, Eightlands,) **with ERDF** funding only with selected technologies as above option 2.

Details of the different options are given in Appendix 1 attached but some of the overall programme issues are as follows:-

- The original programme had a total capital cost of circa £6m and a wide range of potential energy efficiency measures to be installed.
- The new proposal is to reduce the range of measures but still target the most vulnerable households in the lower super output areas that qualify the external funding streams criteria.
- The revised programme is still deliverable in the timescales available (Sept / Nov 2012).
- 404 Council and 463 private sector properties had been identified to receive a range of measures. Due to the revised time frames the revised figures are now 404 Council Properties and approximately 450 private sector properties - minimal reduction in the number of properties, but the number of measures installed is reduced.
- The measures that are proposed to be installed are mainly:
  - external and internal cladding,
  - cavity and loft insulation,
  - replacement boilers,
  - new heating controls,

- solar PV in the Council stock only
- Solar thermal across both tenures.

See Appendix 2 for the financial impacts of the proposal.

### **3. Implications for the Council**

See Officer recommendations.

### **4. Consultees and their opinions**

All the following Councillors have been consulted and support the Officer recommendations.

Cllrs Khan, McBride, Cooper and Pinnock.

All the following have been informed of the Officer recommendations.

Ward councillors informed: Cllrs Christine Iredale, Andrew Marchington, Hilary Richards, Paul Kane, Cathy Scott, Eric Firth, Khizar Iqbal, MasoodG Ahmed, Salim Patel, Molly Walton, Carole Pattison, Mohammad Sarwar, Robert Light.

### **5. Next steps**

Appoint all the required suppliers to the framework and start delivering the measures.

### **6. Officer recommendations and reasons**

Officers recommend that Option 3 be progressed as this provides the opportunity to:

- Deliver measures in all five areas to Private Sector and Council properties.
- Provide a reduced number of measures, which include selected technologies therefore resulting in a more manageable delivery programme.
- Continue to secure external funding from ERDF and CESP
- Scale back the works: fewer measures and scaling back is necessary in order to meet the tight deadline for delivery and funding requirements.
- Reduce the number of procurement exercises that still need to be completed before works can begin

Council costs are reduced from £3.24 million to £2.65 million, but external funding attracted is reduced from £3 million to £2.2 million.

#### **Alterations to the original programme**

The measures that are proposed for removal are:

- Air source heat pumps (Private Sector)
- Solar PV (Private Sector)
- Installation of a biomass boiler (Council)

**The following measures to Private Sector Properties and Council properties will continue to be delivered**

- External wall insulation
- Cavity Wall insulation
- Loft insulation
- Replacement boilers
- Solar thermal (Council properties only)
- Solar PV (Council properties only).

**Risks**

The timeframes are very tight as the CESP eligible measures need to be installed by September 2012 in order to comply with the external funding streams.

Ofgem (Office of Gas and Electricity Markets) have still to finalise approval for the CESP funding, this is a national issue and deemed to be a low risk for the Council. In the event of the funding not approved the programme of works would be reviewed and scaled back after consultation with Officers and Members.

The impact of the loss of this funding would be the number of properties receiving measures would be reduced; Officers would appraise the options in this event and consult with Officers and members.

**7. Cabinet portfolio holder recommendation**

That the Officer recommendation be approved.

**8. Contact officer and relevant papers**

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**9. Assistant director responsible**

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**Councillors briefed:**

Cllr Christine Iredale; Cllr Andrew Marchington; Cllr Hilary Richards; Cllr Paul Kane; Cllr Cathy Scott; Cllr Eric Firth; Cllr Khizar Iqbal; Cllr MasoodG Ahmed; Cllr Salim Patel; Cllr Molly Walton; Cllr Carole Pattison; Cllr Mohammad Sarwar;

## Appendix 1 – Summary Risks and Impacts Table

Option 1	Option 2	Option 3	Option 4	Option 5
<ul style="list-style-type: none"> <li>• Loss of external funding-</li> <li>• Possible financial penalties due to non delivery - ERDF potential claw back of KC claim to date- £321,843 and staff costs £75k. Loss of revenue budget for KC staff- ERDF</li> <li>• Major ERDF funding implications for the whole consortium jobs, measures</li> </ul> <p>Reputation locally and nationally damaging</p> <ul style="list-style-type: none"> <li>• Politically damaging</li> <li>• HRA could still deliver some measures to Council stock</li> <li>• KC Lead Accountable body role untenable- acting on behalf of the consortium – no benefit to KC</li> </ul>	<ul style="list-style-type: none"> <li>• Loss of external funding- No CESP or ERDF total loss £2.2m</li> <li>• Possible financial penalties due to non delivery- ERDF potential claw back of KC claim to date- £321,843 and staff costs £75k Knock on impact on KC Capital and revenue budgets</li> <li>• Loss of revenue budget for KC staff- ERDF £585k until 2014 KC Capital £240k until 2013</li> <li>• Major ERDF funding implications for the whole consortium jobs, measures</li> <li>• Reputation locally and nationally damaging</li> <li>• Politically damaging</li> <li>• HRA could still deliver some measures to</li> </ul>	<ul style="list-style-type: none"> <li>• Install selected technologies – external wall insulation, Cavity Wall insulation, Loft insulation , replacement boilers, Solar thermal, and Solar PV-( KNH properties only tbc)</li> <li>• No Loss of revenue budget for KC staff-</li> <li>• Reduced reputational impact locally and nationally</li> <li>• KC to keep the Lead Accountable Body role – keeping jobs and revenue income £585k until 2014</li> <li>• Some reduced carbon savings</li> <li>• Loss of some CESP and ERDF funding- £800k approx</li> <li>• Will deliver to whole</li> </ul>	<ul style="list-style-type: none"> <li>• Loss of external funding- No ERDF total</li> <li>• Possible financial penalties due to non delivery - ERDF potential claw back of KC claim to date- £321,843 and staff costs £75k Knock on impact on KC Capital and revenue budgets</li> <li>• Loss of revenue budget for KC staff- ERDF £585k until 2014 KC Capital £240k until 2013</li> <li>• Reputation locally and nationally damaging</li> <li>• Politically damaging</li> <li>• HRA could still deliver some measures to Council stock</li> <li>• KC Lead</li> </ul>	<ul style="list-style-type: none"> <li>• Loss of external funding- No CESP total</li> <li>• Possible financial penalties due to non delivery of the programme per the Business case- (ERDF potential claw back of KC claim to date- £321,843 and staff costs £75k) Knock on effect on KC Capital and revenue budgets</li> <li>• Major ERDF funding implications for the whole consortium jobs, measures, as potentially not able to deliver the whole house whole community approach.</li> <li>• Reputation locally and nationally damaging</li> <li>• Politically damaging</li> <li>• HRA could still deliver</li> </ul>

	<p>Council stock</p> <ul style="list-style-type: none"> <li>• Not viable to 100% fund the work in the current climate</li> <li>• KC Lead Accountable body role untenable-acting on behalf of the consortium – no benefit to KC</li> <li>• Reduced pressure on time scales, staff, procurement</li> <li>• Considerably reduced carbon savings</li> </ul>	<p>communities' whole house measures'</p> <ul style="list-style-type: none"> <li>• Will deliver measures in all identified areas to all tenures</li> <li>• Reduced minimal risk to ERDF funding , LAB and consortium</li> <li>• Potential to consider additional/new CESP eligible areas to compensate for reduced carbon savings by limiting to selected technologies only</li> <li>• Time scales still a pressure.</li> </ul>	<p>Accountable body role untenable-acting on behalf of the consortium – no benefit to KC</p> <ul style="list-style-type: none"> <li>• Major ERDF funding implications for the whole consortium jobs, measures</li> <li>• Reputation-damaging with utilities and partners-potential partner job losses</li> </ul>	<p>the measures to Council stock</p> <ul style="list-style-type: none"> <li>• Loss of CESP funding-main impact on PSH non delivery of measures</li> <li>• Potential to consider additional/new CESP eligible areas</li> <li>• Reputation- damaging with utilities and partners- potential partner job losses</li> </ul>
<b>Financial impacts</b>	<b>Financial impacts</b>	<b>Financial impacts</b>	<b>Financial impacts</b>	<b>Financial impacts</b>
External Capital -£2.2m	External Capital -£2.2m	External Capital +£2.2m	External Capital +£500k	External Capital +£1.12m
KC capital spend £1.4m (HRA)	KC capital spend £2.65m	KC capital £2.65m	KC capital £2.41m	KC capital £1.63m
External revenue -£585k ERDF	External revenue -£585k ERDF	External revenue £585k ERDF	External revenue -£585k ERDF	External revenue £585k ERDF( likely to be reduced)
KC Revenue £310k	KC Revenue £230k	KC Revenue £310k	KC Revenue £300k	KC Revenue £275k



## Appendix 2 – Financial Impacts of the revised proposal Option 3

<b>COSTS</b>	<b>ORIGINAL PLAN</b>		<b>REVISED PLAN</b>	
Total investment into private Sector Housing	£3.1m	51%	£2.6m	54%
Total Investment into Council Properties	£2.95m	49%	£2.25	46%
<b>Costs</b>	<b>Original Plan</b> Total Costs = £6.05m- Figures are rounded to nearest 000	<b>% Contribution</b>	<b>Revised Plan Option 3</b> Total Costs = £4.85m Figures are rounded to nearest 000	<b>% contribution</b>
<b>FUNDING</b>				
Total ERDF funding attracted into the district	£1.51m	25%	£1.1m	23%
Total CESP funding attracted into the district	£1.3m This figure will be variable dependent on the amount of CO2 saved and the take up of measures in the Private Sector	22%	£1.1m based on current assumptions (£0.8m-£1.2m)This figure will be variable dependent on the amount of CO2 saved and the take up of measures in the Private Sector	23%
HRA Contribution for Council Homes	£1.7m	28%	£1.4m	29%
KC Capital for private Sector Homes	£1.54m	25%	£1.25m (To be balanced against the CESP funding-current capital allocation is £2.5m, which will also cover some resource costs)	25%
<b>Funding</b>	<b>Original Plan</b> Total Costs = £6.05m- Figures are rounded to nearest 000	<b>% Contribution</b>	<b>Revised Plan Option 3</b> Total Costs = £4.85m Figures are rounded to nearest 000	<b>% contribution</b>