
WARM UP NORTH PILOT PROJECT

**Responsible Cabinet Member(s) – Councillor Veronica Copeland,
Adult Social Care and Housing Portfolio, and
Councillor Chris McEwan, Economy and Regeneration Portfolio**

Responsible Director(s) – Richard Alty, Director of Place

SUMMARY REPORT

Purpose of the Report

1. To seek Members' approval for the release of funding secured from the Department of Energy and Climate Change (DECC) to deliver energy efficiency measures to domestic properties in Darlington through Building Services.
2. To seek Members approval for the release of surplus ring fenced Single Housing Investment Programme 3 (SHIP3) funding to commission property surveys as part of the Warm Up North programme.
3. To seek delegated authority for the Director of Place to award a service contract(s) following the procurement of a property survey partner.

Summary

4. There are two distinct elements to this report, the first is in respect of the release of DECC funding to deliver a pilot demonstration project, and, the second is in respect of the release of SHIP3 funding to undertake property surveys in preparation for work being undertaken both for the pilot demonstration project to be completed by March 2013, and, the main Warm Up North project which will commence in March 2013.
5. DECC have invited partner Local Authorities to submit proposals for funding to deliver "whole house" energy measures for domestic properties. As part of the Warm Up North consortium, Darlington have successfully secured £130k of DECC funding which is available in 2012-13 for a pilot demonstration project.

6. The Council were awarded £150k from the DCLG as part of the Single Housing Investment Programme (SHIP3) programme in 2010-11. A contract was procured and awarded to British Gas for the delivery of the programme, but, the programme has not been delivered. £140k of funding remains from this programme ring fenced to deliver energy efficiency measures in private sector housing and the contract with British Gas finished on 31 August 2012.

Recommendation

7. It is recommended that :-
- (a) Members approve the release of £130k of DECC to finance “whole house” energy efficiency measures to domestic properties in Darlington.
 - (b) Members approve the release of £140k of ring fenced SHIP3 funding to undertake detailed domestic and non-domestic public building surveys in preparation for the launch of Warm Up North in March 2013.
 - (c) Members delegate authority to the Director of Place to award a contract for the property survey work after the successful completion of a tender process.

Reasons

8. The recommendations are supported by the following reasons :-
- (a) The confirmation of the £130k of DECC funding for Darlington is governed by grant funding conditions which require the delivery of the programme no later than 31st March 2013.
 - (b) The success of the main Warm Up North programme due to commence in March 2013 is heavily reliant on robust property information to determine eligibility for Warm Up North assistance.
 - (c) The Contract Procedure Rules require Cabinet to approve the designation of contracts as strategic and non-strategic, and
 - (d) The contracts designated non-strategic are of a lower value and lower significance in respect of the impact on residents and public safety

Richard Alty
Director of Place

Background Papers

Cabinet Report dated 6th December 2011

Cabinet Report dated 3rd April 2012

The Green Deal – A summary of the Government’s proposals (Department of Energy and Climate Change, DECC)

Alan Glew: Extension 2202

S17 Crime and Disorder	Property surveys will be coordinated with an
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	appropriate degree of security check and publicity to avoid complaints of cold calling. There are no implications for crime and disorder in the delivery of the pilot demonstration project.
Health and Well Being	The pilot demonstration project will play a role in reducing the incidence of cold related illness and the property survey work will identify key areas in need of investment to reduce fuel poverty.
Carbon Impact	<p>The successful delivery of the pilot demonstration project will reduce the carbon footprint of those properties identified for Green Deal improvement works.</p> <p>The main Warm Up North programme will contribute significantly to the Council's Carbon Management Plan.</p>
Diversity	The Warm Up North pilot demonstration project will eliminate fuel poverty and disadvantage for vulnerable people. The Warm Up North programme is open to all eligible residents in Darlington regardless of housing circumstances and tenure.
Wards Affected	Consideration for the main Warm Up North programme due to commence in March 2013 is open to all domestic residents and owners of public buildings. All wards affected. The pilot demonstration project is likely to be limited to one or two wards yet to be determined.
Groups Affected	Domestic householders and owners of public buildings.
Budget and Policy Framework	The pilot demonstration project and the commissioning of property survey work has no financial implications for the Council beyond staff time. The programme can be delivered within existing budget and policy frameworks and in accordance with existing approvals.
Key Decision	This is a key decision because the survey work is likely to extend into all Darlington wards.
Urgent Decision	This is a non-urgent decision.
One Darlington: Perfectly Placed	The proposed installation of Green Deal measures contributes to the delivery of the Sustainable Community Strategy through each of the theme areas.
Efficiency	Joint procurement of Green Deal benefits through the regional consortium led by City of Newcastle Council has derived considerable procurement and value for money advantages.

MAIN REPORT

General Information

9. Warm Up North is a consortium partnership of 5 regional local authorities who are in the process of jointly procuring a Green Deal provider to deliver energy efficiency measures to domestic and non-domestic public buildings. On 6th December 2011 Cabinet approved the release of £50k of funding as Darlington's partner contribution to the start up costs of the Warm Up North programme led by City of Newcastle Council. On 3rd April 2012, Cabinet approved the release of £5M of Prudential Borrowing to help finance the delivery of Warm Up North Green Deal energy efficiency measures.

Pilot Demonstration Project

10. Following regular dialogue between City of Newcastle Council and the Department of Energy and Climate Change (DECC) in connection with the delivery of the Warm Up North programme, the regional response to the Green Deal, DECC announced they would like to commission a pilot demonstration programme in advance of the official launch of the Warm Up North programme in March 2013. In August 2012, the Warm Up North consortium were invited by DECC to submit a proposal to undertake a pilot demonstration project, based on Green Deal principles, and, the delivery of "whole building" energy efficiency improvements for domestic and non-domestic public buildings.
11. Following submission and evaluation of the Warm Up North consortium pilot proposal to DECC, the consortium were awarded £1.25M of funding, with Darlington securing £130k of funding for the delivery of their element of the consortium proposal. The funding is ring fenced by grant conditions from DECC must be spent by 31 March 2013, and, has been awarded to deliver energy efficiency, "whole building" improvements, to approximately 12 local domestic properties.
12. The focus of the work identified for local domestic properties will primarily be local authority owned domestic properties, with any surplus funding being targeted at privately owned domestic properties based on the priorities of the Private Sector Housing Strategy 2008-2012. The energy performance improvement of domestic properties across the project, receiving Green Deal measures, will be measured and evaluated as part of the outcomes of the project.
13. As the delivery timescales for the pilot demonstration project are very challenging, our own Building Services operatives will be delivering the major elements of the programme with specialist services being provided through existing Framework partners or separate tender exercises. The focus of the programme will be to deliver "whole building" energy efficiency improvements to identified Council owned dwellings in accordance with the Council Asset Management Strategy, and, complementing existing priorities of the Council house investment programme.
14. Local Authority owned properties will be prioritised on the basis of the maximum level of thermal comfort improvement which can be achieved and the most

vulnerable tenants. Private properties will be prioritised on the basis of the expected outcomes of the Private Sector Housing Strategy 2008-2012, and, targeted investment in the four priority wards of Northgate, North Road, Bank Top and Central which have the highest proportion of older pre-1919 housing.

Green Deal Assessor surveys

15. In 2010-11, DCLG awarded £150k of Single Housing Investment Programme (SHIP3) funding to deliver energy efficiency improvements to private sector homes. Following a procurement process, British Gas were awarded a contract to deliver energy efficiency measures in Darlington.
16. The British Gas contract was secured on the basis of guarantees of certain levels of private sector leverage from CESP and CERT grant funding to complement the SHIP3 grant funding award. Unfortunately, the levels of CESP and CERT funding available to deliver the more acute and costly energy efficiency measures such as external wall rendering were significantly less than allowances for loft and cavity wall insulation. Loft and cavity wall insulation measures in Darlington are now largely exhausted with little demand for these measures now. The result was that the programme became undeliverable.
17. In preparation for the delivery of the Warm Up North programme in Darlington, there is a need to undertake detailed property surveys by trained Green Deal assessors, in order to determine which domestic and non-domestic public building may be eligible for Green Deal assistance. Green Deal assessors are required to assess property conditions to determine what “whole building” energy efficiency improvements could be financed over a maximum of 25 years through any savings realised from the installation of the energy efficiency measures.
18. This assessment by Green Deal assessors determines the outcome of the “Golden Rule”, whereby, savings realised from the installation of energy efficiency measures must be able to finance the cost of installation of the energy efficiency measures without an increase in electricity costs to meet the conditions of the Green Deal. Some vulnerable and low income households may be eligible for Energy Company Obligation (ECO) funding which may help bridge any funding gap between savings achieved and the cost of installation of energy efficiency measures. The details and practicalities about how ECO funding will be applied and who will be eligible, is subject to further Government guidance which has yet to be finalised.
19. As part of Darlington’s commitment to the Warm Up North programme, we aim to deliver energy efficiency improvements to a minimum of 1500 domestic or non-domestic public buildings within the period 2013-2016. In order to prepare for the delivery of the Warm Up North programme we must commission trained Green Deal assessors to undertake surveys of each of the 1500 properties identified to establish eligibility under the Golden Rule. Green Deal assessors currently charge in the region of £80 per property which translates to an overall cost of £120k to deliver 1500 Green Deal assessments.
20. Within this report we are seeking the release of the surplus SHIP3 funding of £140k to commission this work with a proposal to allocate any surplus funding following

survey completion. The projected under spend of £20k of funding from SHIP3, will be set aside as a contingency fund in case survey costs exceed projections following a procurement process or some properties are surveyed but are unable to proceed with measures due to an unfavourable outcome to the Golden Rule assessment.

Financial Implications

21. Within the proposal for the SHIP3 allocation, a contingency fund of approximately £20k is allowed to ensure that up to 250 additional properties beyond our 1500 minimum target for the period 2013-2016 can be surveyed if the Golden Rule assessment does not allow for energy efficiency improvement works to proceed. This represents a 16.7% drop out rate should property owners either not be able to proceed with works (due to the Golden Rule), or, change their minds.
22. The DECC funding allocation of £130k must be spent by the end of the financial year 2012-13 and spent in accordance with the original grant funding conditions attached to the pilot demonstration project. Any funding unspent by March 2013 will be subject to clawback arrangements under the terms of the grant agreement.
23. The survey work will be commissioned by invitation to tender which shall set out the council's specification for the works to be provided and also will prescribe that any contract awarded will be on the basis of the Council's standard terms and conditions for the purchase of service.

Contract Considerations

24. The contract documentation shall provide that the surveys are carried out in accordance with Green Deal legislation and that insurance and where applicable CRB checks are required.
25. The services procured will be Part A services for the purposes of Procurement Law and the appropriate method of tendering shall be used according to anticipated contract expenditure.
26. Subsequent contracts will be awarded on a spot purchase basis setting out tendered prices and providing for the services to be delivered on the basis of agreed terms but that there shall be no guarantee of work.
27. The future award of this contract was not included within the Procurement Plan as the timescales did not allow for this. However, the contract award decision for the contracts designated as non-strategic within the Place Directorate can be delegated to the Director of Place. This report recommends that Members approve the delegation of the contract award for the property survey element of this programme to be delegated to the Director of Place.
28. The programme contributes positively towards eliminating fuel poverty and the disadvantages associated with fuel poverty. Providing Green Deal improvements will reduce health inequalities and provide affordable warmth to reduce the incidence of cold related illness amongst some of our most vulnerable residents.

29. Corporate Landlord advice and assistance will be required should non-domestic public buildings be considered for energy efficiency improvements through the Warm Up North programme in Darlington. Any identified works to non-domestic public buildings would need to be considered in respect of any existing lease and license arrangements. The pilot demonstration project will not have any implications for the Corporate Landlord but survey work of non-domestic public buildings is a consideration if they are identified as a priority for improvement.

Outcome of Consultation

30. Consultation with identified residents of the prioritised properties will be undertaken immediately after Member approval for the release of funding is secured. Property surveys of a number of Council owned dwellings have already been undertaken in dialogue with Council tenants in preparation for an early start. The main Warm Up North programme and the associated survey work required will be subject to a marketing exercise in coordination with regional partners as a consortium approach to the delivery of Green Deal measures.
31. The response to engagement with Council tenants to date has been very positive.