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**HOUSING RETROFIT PROGRAMME 2013-2016**

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**Responsible Cabinet Members – Councillor Veronica Copeland,  
Adult Social Care and Housing Portfolio and  
Councillor Chris McEwan, Economy and Regeneration**

**Responsible Directors – Murray Rose, Director of People and  
Richard Alty, Director of Place**

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**SUMMARY REPORT**

**Purpose of the Report**

1. To seek Member approval to participate in a new partnership with City of Newcastle Council and other local authority partners and Registered Providers in the North East region, to deliver a pioneering housing retrofit programme, to improve the energy efficiency and insulation levels of homes in Darlington across all sectors.

**Summary**

2. Over a number of years the Council has supported a number of initiatives through partners to supply and deliver a range of energy efficiency measures to houses in Darlington across all sectors. There is a possibility that the Green Deal may exclude social housing from the Green Deal offer, and, if this becomes legislation, this would require a different model of delivery for retrofitting for social housing to be considered. The majority of “easy to insulate” homes in Darlington have now been completed with the successful installation of cavity and loft insulation. The residual housing stock that could benefit from energy efficiency measures, require more radical and expensive measures to improve their energy efficiency levels, not previously available in Darlington. The proposed Housing Retrofit programme will address this imbalance, providing a means of financing the more difficult properties to insulate in the housing market, helping to sustain communities, and, reducing household energy costs.

**Recommendation**

3. It is recommended that:-
  - (a) Members agree to the release of £50k of capital funding to cover the procurement costs incurred by City of Newcastle Council. The £50k represents an equal contribution from each of the Local Authority partners.
  - (b) Members support the inclusion of a minimum of 1500 properties in Darlington across all housing sectors in the proposed programme, subject to a future Cabinet report outlining the detail of any partnership agreement with City of Newcastle.

## **Reasons**

4. The recommendations are supported by the following reasons:-
  - (a) The Housing Retrofit programme can make a significant contribution towards the Council's Carbon Management Plan 2010 with 20% of carbon emissions emanating from domestic homes.
  - (b) To address significant thermal deficiencies in some of Darlington's older housing stock. The Private Sector Stock condition survey identified 16.6% of privately owned housing stock having a thermal deficiency of a total volume of 40,180 private properties.
  - (c) The Housing Retrofit programme is an effective, value for money, regional response to the opportunity provided through a new initiative called the "Green Deal" to insulate "difficult to treat", old single cavity wall, or, non-traditional construction housing.
  - (d) The Housing retrofit programme provides an opportunity for households across all sectors to benefit from a wide range of energy efficiency measures which include renewable clean energy generation.
  - (e) There are significant economies of scale anticipated through the joint procurement of Green Deal improvements by City of Newcastle's procurement framework.
  - (f) There are economic and employment benefits to the delivery of the Housing Retrofit programme with new or safeguarded direct and indirect jobs being created or sustained, as part of the local delivery of the programme and subsequent supply chain benefits.

**Murray Rose, Director of People**  
**Richard Alty, Director of Place**

## **Background Papers**

- (i) Carbon Management Plan 2010
- (ii) Department of Energy and Climate Change – The Green Deal - A Summary of Proposals.
- (iii) Covenant of Mayors 2009.
- (iv) Tees Valley Climate Change Action Plan 2007.
- (v) Darlington Climate Change Strategy 2008.

Alan Glew Tel. No. 01325 388202

S17 Crime and Disorder	The contents of this report have been considered in the context of the requirements placed on the Council by Section 17 of the Crime and Disorder Act 1998, namely, the duty on the Council to exercise its functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area. It is considered that some of the improvement works identified in this report will be beneficial in reducing crime.
Health and Well Being	There is a clear inter-relationship between fuel poverty, poorly insulated homes and cold related illnesses. The Housing Retrofit programme will address the fundamental issues faced by vulnerable people in keeping their homes warm.
Carbon Impact	The implementation of the Housing Retrofit programme will make significant contributions towards reducing carbon emissions in domestic properties and help maintain adequate levels of thermal comfort.
Diversity	The Housing Retrofit programme will be available to all housing sectors across Darlington.
Wards Affected	All
Groups Affected	Residents of Darlington.
Budget and Policy Framework	This report does not recommend any changes to the budget and policy framework. However there is an impact on the MTFP-C.
Key Decision	This is a key decision because agreement to the recommendation will result in the Council incurring expenditure and is essential in the Council engaging proactively in the City of Newcastle procurement timeframe.
Urgent Decision	For the purpose of the 'call-in' procedure this represents an urgent matter, in order to meet the requirements of the City of Newcastle procurement timetable and to maximise the benefits of the Green Deal.
One Darlington: Perfectly Placed	The proposed installation of energy efficiency measures contributes to the delivery of the Sustainable Community Strategy through each of the theme areas.
Efficiency	Planned investment through the proposed Housing Retrofit programme will sustain communities across Darlington without the need for further intervention.

## MAIN REPORT

### Information and Analysis

5. The Energy Bill which is currently being debated by Parliament contains a number of provisions such as the Green Deal and the Energy Company Obligations (ECO) which will replace existing funding for domestic homes from December 2012. External funding sources that support schemes for domestic homes (including Warm Zone and Warm Front) will significantly reduce and be replaced by the Green Deal. In addition, other traditional ways of improving and investing in communities through large scale Housing Market Renewal (HMR) funding are no longer available.
6. There are a number of retained domestic properties across the North East region not conforming to adequate levels of thermal comfort. This is despite a number of energy efficiency initiatives delivering loft and cavity wall insulation measures which have been successfully installed over a number of years through a range of partners. Many of the older properties in the region have been demolished through Housing Market Renewal (HMR) schemes with sites being redeveloped to modern and higher thermal insulation standards. The abolition of the HMR programme and the lack of alternative capital funding creating a housing stock profile with a disproportionate number of older housing needing to be sustained and improved in the longer term to reach Decency standards or if they are going to continue to be Decent.
7. The challenges of insulating many of the older houses are not insignificant, as much of the “easy to treat” properties have been improved, with many of the residual domestic properties of a non-traditional constructive type or single skin walls with no cavity for insulation. Thermally insulating properties of this nature are traditionally very expensive and “difficult to treat” particularly in conservation areas with external cladding treatments potentially changing the appearance of some of our more treasured buildings and not conforming to planning regulations. Particular caution, therefore, needs to be applied when applying improvements of this nature in conservation areas.
8. For some months, City of Newcastle Council have been working alongside Association of North East Councils (ANEC) and Marksman Consulting to develop a response to the challenge of effectively insulating older homes of a non traditional construction type in a cost effective sustainable way. City of Newcastle’s approach has been modelled on a pilot project developed by Birmingham Council who embodied the principles of the Green Deal in their local offer.
9. To provide a viable proposal, City of Newcastle estimated that they required a volume of at least 15,000 properties across the Region (of which 4,000 are in Newcastle), and, recognised early, that they could not guarantee the full volume in isolation of other partners without entering into partnership with other Local Authorities and Registered Housing Providers in the Region. To date, six Local Authorities have indicated that they wish to pursue this opportunity with City of Newcastle in the Region with others choosing to review their position over future phases of the programme. Discussions have been had with other Registered Providers about this proposal and a number have expressed an interest, it is not clear at this stage how many want to be involved from the outset. The Council are proposing that a minimum of 1500 Darlington properties are included initially within the proposed Housing Retrofit programme.

10. It is hoped that future phases of the Housing Retrofit programme could extend to improve the thermal capacity of non-residential properties and other public buildings to deliver even greater carbon footprint benefits. The timing and implementation of the proposed programme is dependent upon the enactment of the Energy Bill which is following its course through Parliament at present. City of Newcastle are closely monitoring this situation and are ensuring that they have the correct infrastructure and agreements in place to respond promptly as and when the Energy Bill reaches its conclusion.

### **Financial Implications**

11. The estimated cost of the first phase of a scheme based upon the 15,000 properties across the Region is £80M. The next phase of the work will establish the most appropriate method of funding, to ensure the affordability and viability of the programme.
12. Based upon the current financial modelling by City of Newcastle, the use of up to £60M of Prudential Borrowing, combined with Green Deal to fund the works, would enable a “not for profit” scheme at a preferential rate to homeowners of about 2% less than a private sector scheme. The amount the Council would contribute would depend upon the number of houses completed in Darlington, the number of other Local Authorities that commit to the scheme and the arrangements reached with them about the funding of housing units in their areas. The costs would be recouped from the owner / tenants of the properties over time in line with the Green Deal.
13. The estimated programme development cost is £1.565M, split as follows;
  - (a) The next phase of the programme involves the City of Newcastle funding estimated initial costs of £100k. City of Newcastle Council intend to fund this from corporate revenue funds, and reimbursed by income generated by the programme;
  - (b) A European funding application was submitted in May 2011. If this funding bid is successful, this will provide £1.1M of the further estimated costs (but is unable to fund retrospective activities). A decision on the European bid is expected early next year;
  - (c) The residual £365k is required as match funding from Councils who agree to participate in the programme. Darlington’s share of this cost is £50k although there is the potential for this to be repaid if the scheme is successful with Darlington opting to be a partner in the programme from inception. There are no funds allocated for this scheme within the current capital programme therefore additional resources will need to be allocated. The funding of the additional £50,000 will be met from either underspends on existing schemes, capital receipts or prudential borrowing and the financial implications built in to the MTFP.
14. As the Energy Bill progresses through Parliament and the detail of the Green Deal financing becomes clearer, a further report to Cabinet will be presented to finalise the financial implications. The programmes initial capital financing costs will be covered by public borrowing which will be reimbursed through a levy on receiving household’s utility bills over a 25 year term based on existing Green Deal proposals. The levy will be charged at a level which does not exceed the amount of saving on the utility bill generated from the installation of the energy efficiency measures, this is called the “Golden Rule”. This income will then offset the costs incurred by the Council in providing the initial public borrowing finance.

15. The recovery and collection of the Green Deal payments are subject to an Energy Company Obligation (ECO) and regardless of a change of energy provider will remain an obligation for any new incoming energy provider.
16. The proposed financial model for the programme is based on a provision of 4% bad debts (traditionally 1-2% bad debt provision with energy providers) should utility bills not be paid in full when due. Each Local Authority has the responsibility to account for any bad debts within the locality. The funding risks associated with this model are under continuous review and aligned with the passage of the Energy Bill through Parliament.

### **Outcome of Consultation**

16. Consultation to date has been focused on City of Newcastle Council engaging with all North East Regional Local Authorities and Registered Providers as the programme is in its infancy and still in an exploratory phase. As the programme details are finalised, the Energy Bill is enacted, and, there is universal agreement on the delivery and financing model, a communications plan will be developed in partnership to promote the programme with eligible residents. The Department of Energy and Climate Change (DECC) will remain a key consultative partner too.