

Cabinet

10 February 2015

Report of the Director of Communities & Neighbourhoods and Interim Director of City and Environmental Services (Portfolio of the Cabinet Member for Communities)

Implementation of the Better Homes Contract - York

Purpose of the report

1. To inform Cabinet of the implementation of the Better Homes York Contract to improve energy efficiency of private sector homes and reduce fuel poverty and carbon emissions. The report also asks Cabinet to consider the impact of the contract and the implications for wider services namely the Yorkshire Energy Partnership.

Recommendations

2. Cabinet are asked to:
 - To note progress to date of the **Better Homes – York** scheme and to receive annual progress reports
 - Acknowledge the change in the relationship with YEP as a result of the new scheme and to agree to option1 to withdraw from YEP

Reason - To ensure that CYC can take full advantage of the **Better Homes- York** Scheme promoting energy efficiency measures across all sectors to reduce fuel poverty and carbon emissions without being breach of any exclusivity clause and ensuring that there is no conflict should YEP become a delivery partner for KSW.

Background

Update on Better Homes-York

3. Following Cabinet approval on the 7th October, Officers have been working with the Leeds City Region (LCR) negotiating the finer details of the framework agreement of the programme to deliver energy efficiency

measures to private sector homes. This agreement was signed by the Council on 19th December 2014. The programme aims to, across the region, deliver a minimum of 14,000 green deal measures to 12,000 homes over the first 3 years of the contract, with a minimum of 800 of those homes being in the York area. The contract has been awarded to a consortium of Keepmoat, Willmott Dixon and Scottish and Southern Electricity (KSW).

4. This has been an unusual procurement as the Council has not purchased anything instead; through competition the KSW obtained the **exclusive** use of each LCR Council endorsement of the scheme. By obtaining the council's branding, access to customer/stock data and marketing channels for the length of the Call-Off Contract, will help the KSW discharge their Energy Company Obligation ¹ (ECO)
5. Marketing and promotion is the responsibility of KSW. Working in partnership with councils, the brand **Better Homes Yorkshire** has been adopted for the overall programme. In York it will be called **Better Homes – York**.
6. The scheme will allow private householders across the city to access a branded value and quality driven contractor to carry out appropriate work to their home. Stringent quality control of the work and the financial packages available should help to provide confidence and encourage take up by householders. The scheme is not just about improving private homes but is also open to the Council for our own housing stock and non domestic stock/ businesses within the city.
7. A three month mobilisation period has begun with KSW. To launch the scheme in York, KSW will offer 80 Green Deal Communities Fund Vouchers. These will help with the costs of installing measures and will be worth £750 per resident. In addition a private home will be retrofitted with up to £15k worth of funding energy efficiency measures and will become a demonstration show house. KSW will also establish a regional call centre and interactive website. During this period we are working with KSW and Harrogate, Craven and Selby to ensure that we have a longer term bespoke marketing and delivering campaign for our residents and in particular that we are prepared for any future funding and initiatives. For example we are aware that the Government will be

¹ ECO places legal obligations on the larger energy suppliers to deliver energy efficiency measures to domestic energy users. It operates alongside the Green Deal which is designed to help people make energy efficiency improvements to buildings by allowing them to pay the costs through savings made on their energy bills rather than upfront. Customers have the option to use other sources of finance to fund measures (personal loans, savings, etc). They are under no obligation to take out a Green Deal loan. ECO subsidies are provided to householders to install energy efficiency improvements to enable the energy companies to discharge their commitments under the Obligation

releasing further Green Deal Home Improvement Vouchers in April 2015 and by working together our intention is to promote the offer to residents to maximise take up.

Update on Yorkshire Energy Partnership (YEP)

8. Members will be aware that City of York Council part owns the organisation known as Yorkshire Energy Partnership (YEP) and Cllr. Merrett represents the council as a Director on the board. The Yorkshire Energy Partnership Ltd is a not-for-profit organisation owned and supported by City of York Council, Craven District Council, Hambleton District Council, Harrogate Borough Council, Richmondshire District Council, Ryedale District Council, Scarborough Borough Council, Selby District Council, North Yorkshire County Council, Leeds Beckett University and Joseph Rowntree Housing Trust. The company is a company limited by guarantee and City of York's liability is £1.
9. It should be noted that the Council does not generate revenue from this company and has an annual service level agreement with YEP for the value of just under £11k. Working together we have been very successful in the past drawing down funding both for the city and for other North Yorkshire councils. However the recent changes to funding in particular ECO and the Grant conditions associated with government funding has resulted in few measures to private homes in the last year. The Better Homes Programme has been procured to ensure that it can take advantage of current funding opportunities and is flexible enough to take advantage of any future funding opportunities. However the Better Homes programme has exclusivity rights, and means that CYC can not work with other contractors to promote energy efficiency in the private housing stock and this includes YEP.
10. The Council's Building Services team will continue to work with YEP on completing surveys and installation measures for loft and cavity wall insulation to council owned housing stock. A second phase of this project was commissioned by Building Services last summer covering a further 3500 dwellings and to date approx 40% of properties have been surveyed with resulting measures undertaken. It is anticipated that the survey process and follow on installation works will be complete by April 2015, with a full data transfer of the resultant findings into the Asset Management system taking place in May/June 2015. Monthly meetings between Building Services and YEP are arranged in order to keep progress under review until close out of the project.
11. From discussions with the YEP Chief Executive, we are aware that the KSW bid included YEP as a potential delivery partner, providing lead

generation and customer call handling services; however at the time of writing KSW have not yet confirmed that this arrangement is still valid. Officers have asked both KSW and YEP to advise what their long term arrangements/relationship will be. It is also known that it is the intention of YEP to continue to deliver schemes in York without the support of the council

12. The council now needs to explore future roles and relationships with YEP.

Options

13. Following the council signing up to the Better Homes Programme there are clear impacts on the council's relationship with the Yorkshire Energy Partnership. The Cabinet are being asked to consider the following 3 options:

- **Option 1:** To completely withdraw from the YEP
- **Option 2:** To become an Associated Member of YEP
- **Option 3:** To maintain the current status

Analysis

14. The analysis seeks to advise members what the advantages / disadvantages are to the council and similarly for YEP.

Option 1 – To completely withdraw from YEP

15. The advantages associated with option 1 for the Council are:

- Fully Compliant with the exclusivity clause, there is no potential legal conflict regarding YEP being a delivery partner for KSW.
- The funding directed to YEP to be used to ensure delivery of Better Homes- York.
- It is simple for residents to understand - clear customer journey and the new project partner can take advantage of the wider support of the LCR when identifying new funding opportunities.

16. The risks associated with option 1 for the Council are:

- The loss of a local advice centre for CYC (if not part of KSW bid).
- The loss of a known major and successful project partner, LCR.
- Loss of grant fund identification and subsequent bid writing partner. Although it should be noted that the more recent bids have been

through the LCR. There is also the potential to have a reduced ability to call on YEP resources to deliver works/ support for the authorities at a time of continued LA staff cuts and reduced funding.

17. The advantages of option 1 for the YEP are:

- Freedom to approach private sector residents and schools without first having to seek LA approval. (Which currently slows down the process). The YEP will be able to follow their own procurement regime.

18. The risks associated with option 1 for the YEP are:

- The loss of Service Level Agreement funding from CYC to the YEP which may result in the potential reduction in staff.
- A potential reduction in reputational value (YEP would no longer cover all N. Yorkshire LAs).
- The loss of LA endorsement on marketing material and potential reduction in the number of measures installed along with the commensurate income.
- They would also see a loss of a major project partner (e.g. DECC funded projects) and LA support on technical matters.
- With the council withdrawing from the partnership they would also see the loss of Board members and Executive Group member.

Option 2- To consider being an Associated Member of YEP

19. It should be noted that YEP advised that the council could continue to support the partnership by being an associate member but no detailed proposal was received.

20. The advantages associated with option 2 for the Council are:

- Enables CYC to support a local partner at a reduce rate.

21. The risks associated with option 2 for the Council are:

- Potential conflict regarding YEP being a delivery for KSW.
- Cost of developing the new 'associated' partnership with YEP to ensure that we are not in breach of the exclusivity clause of the **Better Homes – York scheme.**

22. The advantages associated with option 2 for YEP are:

- Receipt of Service Level Agreement Funding albeit at a reduced rate.
- No loss of reputational value.
- LA support having regard to matters outside of the Better Homes Scheme.

23. The risks associated with option 2 for YEP are:

- Loss of freedom to approach private sector residents and schools without first having to seek LA approval. (which currently slows down the process).
- Cost of developing new 'associated' partnership agreements.
- Reduction in SLA funding potential risk to staff.

Option 3 – to maintain the current status

24. The advantages associated with option 3 for CYC are:

- Continue to directly support a local organisation

25. The risks associated with option 3 for CYC are:

- Potential to be in breach of the exclusivity clause of the Better Homes Schemes.
- Unclear customer journey.
- Schemes which could be developed relating to our own housing stock and non domestic estate and business in York need to follow proper procurement.
- Potential conflict of interest.
- Cost of developing a shareholders agreement which clearly outlines roles and responsibilities.
- Unable to adequately fund the delivery of the scheme locally.

26. The advantages associated with option 3 for YEP are:

- Will maintain SLA Funding.
- Potential partner for schemes not covered by the Better Homes Scheme.

27. The risks associated with option 3 for YEP are:

- Loss of freedom to approach private sector residents and schools without first having to seek LA approval. (which currently slows down the process).
- Cost of developing new 'associated' partnership agreements.

Consultation

28. We have been in discussion with the Chief Executive of YEP and have been advised about the risks outlined above.
29. The Chief Executive and the Leader has received regular briefings on the LCR business model and all decision have been taken following the formal democratic process.
30. We have discussed with the three other LCR participating North Yorkshire councils our plans and how we can work together to delivery the Better Homes programme effectively and efficiently.

Council Plan

31. **Better Homes –York** will support and contribute to the aims of the following Council Plan Priorities:
 - Create Jobs and Grow the Economy – has the potential to ensure that jobs and apprenticeships are created and maintained in the region.
 - Get York Moving – Housing provision of the right type and affordability makes York an attractive place to live and promotes quality of life for the community
 - Builds Strong Communities – Contributes to sustainable neighbourhoods and communities
 - Protects Vulnerable People – Ensures that the council has input in so that the most economically and socially vulnerable households are targeted and fuel poverty is reduced
 - Protects the Environment – Directly contributes to this priority especially the reducing carbon emissions objective by the introduction of the energy efficiency measures to homes throughout the city, thus reducing the amount carbon they emit from heating and powering their homes.

It also will support the city's climate change action plan. It also contributes towards the local housing priorities within the City of York Housing Strategy 2011-2015 and particularly with the objectives of Strategic Aim 5 of the Draft York Private Sector Housing Strategy 2014-2019.

Implications

Financial and Procurement Implications

32. A successful DiF bid in March 2013 has covered City of York Council's share procurement costs and also enabled £5k to purchase energy performance data of the stock and collate and analyse data to target the **Better Homes- York** scheme in the city.
33. A successful LCR Green Deal Communities bid has funded both the vouchers and the cost of the work to provide a show home to support the mobilisation and launch of **Better Homes- York**.
34. The fees generated from **the Better Homes – York** scheme and the potential to redirect the funding which has been used to support YEP will enable York and the other 3 councils of North Yorkshire to fully fund a joint sub regional project delivery officer to support the delivery of the Better Homes scheme.

Human Resources Implications

35. To employ a sub- regional Better Homes project delivery manager working with KSW and the other councils to ensure success of the scheme.
36. At the time of writing it is unclear from the discussions with YEP's Chief Executive what the impact will be on the organisation.

Equalities Implications

37. A Community Impact Assessment has been completed and is attached as Appendix 1. **Better Homes –York** including ECO and the Green Deal Home Improvement Fund is the only option available for residents who want to improve the energy efficiency of their home and reduce fuel poverty, following the demise of current government programmes such as CESP/CERT and Warmfront.

Legal Implications

38. If Option 1 is agreed it will be necessary to negotiate and complete a withdrawal agreement setting out the Parties' share of past and future liabilities and assets.

Should Option 2 or 3 be the preferred option it is recommended that a shareholder agreement be entered into to out-line the future governance and decision making arrangements, as no such agreement exists at present.

Risk Management

39. The risks associated with these options are set out within the body of the report.

Contact Details

Authors:	Chief Officers Responsible for the report:		
Ruth Abbott Housing Standards and Adaptations Manager 554092 Jacqui Warren Sustainability Officer 551666	Sally Burns Director of Communities & Neighbourhoods Sarah Tanburn Interim Director of City and Environmental Services		
	Report Approved	√	Date 29 th January 2015
Specialist Implications			
Glen McCusker Deputy Head of Legal Services 551048	David Gladders Accountant (CANS/CES) 551101		
Tom Brittain Head of Housing Services 551262	Nick Ross Contracts Manager 555538		
Wards Affected: All	√		
For further information please contact the authors of the report			

Background papers

Source Papers	Location
LCR Green Deal scheme - 1 st July 2014 LCR Green Deal Scheme - 11 th April 2013 LCR Green Deal Scheme - 7 th February 2013 LCR Green Deal Business Case - 6 th Dec 2012 Options for Delivering and Financing the Green Deal - 2nd Feb 2012	www.leedscityregion.gov.uk

Annexes

Appendix 1 – Community Impact Assessment

List of Abbreviations used in the report:

CESP/CERT- Community Energy Savings Programme/Carbon Emissions Reductions Target

DECC – Department of Energy & Climate Change

ECO - Energy Company Obligation

KSW _ Keepmoat, Willmott Dixon and Scottish and Southern Electricity

LA – Local Authority

LCR - Leeds City Region

YEP - Yorkshire Energy Partnership