

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Climate Change Working Group

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THE SOUTH CAMBRIDGESHIRE SUSTAINABLE PARISH ENERGY PARTNERSHIP: NEW OPPORTUNITIES AND LONG TERM DELIVERY OPTIONS

Purpose

1. The purpose of this report is to consider the long term delivery and financial support options for the South Cambridgeshire Sustainable Parish Energy Partnership (SPEP) in the light of:
 - (a) potential uncertainty over the availability of core Council funding to support the Partnership from April 2012;
 - (b) the need to move the Partnership on from its formative first phase role, of taking local awareness-raising of sustainable energy issues and responses into active engagement, onto a second phase of mainstream and widespread delivery across the communities of South Cambridgeshire.
 - (c) the Government's new framework for encouraging the installation of more sustainable energy measures in domestic and non-domestic properties across the country.
2. This is not a key decision as the Climate Change Working Group is not a formal decision-making body of the Council. The Working Group's role is to provide expert Member consideration and advice in support of important climate change related issues and decisions to the Portfolio Holder for Sustainability, Planning and Climate Change or Full Council.

Recommendations

3. That Members consider the content of this report with a view to establishing a small three Member sub-group to take the most promising options forward and reporting back on progress at the next formal Working Group meeting.

Executive Summary

4. The South Cambs Sustainable Parish Energy Partnership is a successful, growing and developing support service and partnership body that seeks (with access to District and respective Parish Council resources) to help communities across South Cambridgeshire to come together around realising and delivering locally driven carbon and energy savings.
5. In a time of severe public sector spending cuts it is prudent to consider alternative and innovative mechanisms for bringing in external funding support. It is also important to keep up with the rapidly changing and evolving Government policy framework for ensuring that it meets very challenging targets and objectives for carbon reduction alongside energy security and affordability.
6. To this end, this paper outlines the key considerations and options for attracting external funding support for the South Cambs' SPEP in the light of current and emerging Government policy relevant to its field of delivery.

7. 4 options are identified for Member consideration and taking forward for further investigation and testing:
 - (a) Seeking funding contributions from Parish Council Partners
 - (b) Developing a referral fee arrangement with local installers
 - (c) Linking SPEP into the Green Deal provider chain as an agent for unlocking consumer demand
 - (d) Endeavouring to secure an external support grant/award

Background

8. SPEP was launched by the Council in March 2009 to provide direct support to Parish Councils and local volunteer groups to reduce energy costs, cut carbon emissions and secure a more sustainable future for their residents and local communities. The main aims were and are as follows:
 - (a) to help the District's communities come together around tangible carbon and energy savings through supporting the work they want to do – building confidence and achievement;
 - (b) to match a practical range of sustainable energy support to real local need; circumstances and capacity - starting things up or helping things along;
 - (c) to share local experience – often the best cues for action come from finding out what others have done;
 - (d) to help parish councils cut energy costs for their residents and tackle climate change - putting sustainable energy on their agendas as something they can now really do something about.
9. SPEP support has been hinged on the following four principles:
 - (a) Additionality: only bringing forward or supporting projects that would not have happened without such support.
 - (b) Tailoring: appreciating that 'one size does not fit all' and that projects must be specifically adjusted to meet individual needs and circumstances.
 - (c) Progress through doing: encouraging the transition to more local sustainable energy not just through words and case studies but most importantly through getting local delivery activity happening on the ground.
 - (d) Taking our cues from the people around us: understanding that our decision-making is most strongly influenced by the experience of those we are in direct contact with (family, friends, colleagues and acquaintances).
10. The original support took the form of some limited external consultancy and additional capital funding from a Local Public Service Agreement (LPSA) capital Reward Grant alongside a Council funded part-time Parish Energy Project Officer post. The LPSA Reward Grant monies were intended to be available for three years but the Government cut all such funding from September 2010. By this time, however, SPEP had proved much more successful than envisaged at the outset and had largely pulled clear of the need for LPSA capital funding support.
11. Since then the Partnership has been funded by the Council with an extension to the Parish Energy Project Officer contract to the end of March 2012 and relatively minor revenue spends from the annual Sustainability budget. There is also an additional ring-fenced £10k fund available from a Council contribution to a Cambridgeshire Climate Change Partnership funding stream that was under-spent and drawn back last year.

12. The delivery focus for the Partnership, in this establishment and development phase, has been upon bringing sustainable energy closer to people's day to day living so that the options for making the transition from unsustainable to sustainable energy living become a part of our regular decision-making. 'Sustainable energy' being energy that:
 - (a) is only used when needed;
 - (b) is used efficiently with as little waste as possible;
 - (c) is from renewable sources that provide more security of supply and minimise carbon emissions, and;
 - (d) is affordable.

13. The mechanism for attracting parish partners has proved successful with 29 Parish Councils now 'signed-up' to the Partnership. To join, Parish Councils simply have to agree to accept support through the minutes of a Parish Council meeting and agree on a named Parish Councillor being their sustainable energy 'champion'. This 'champion' is the working link between the Parish Council and a local volunteer group taking and delivering actions on the ground. The key to success is the activity level of the local volunteer group. Every group is different in size, interests and activities. Some groups know what they want to do and what they would like support with, others are less sure and will seek advice on projects or how to get started.

14. In order to provide a suitable level of flexibility that allows for the differences between groups, and works with the principals of the Partnership, support is provided by means of a 'menu' approach from which volunteer groups can select according to their interests, needs and circumstances. We currently offer, for any/all partners, direct support in establishing community projects around the following deliverables:
 - (a) Electricity monitor loan – domestic & commercial
 - (b) Village energy mapping
 - (c) Community carbon options calculator
 - (d) Thermal image camera training and loan
 - (e) Sustainable energy events – especially covering home insulation and renewable energy technologies.
 - (f) 'Carbon Conversations' courses
 - (g) Basic home energy questionnaire (Energy Performance Certificate-based)
 - (h) Village car share
 - (i) Parish energy booklets
 - (j) Promotion of local initiatives focussing upon the wider take-up of energy efficiency and microgeneration installations
 - (k) Volunteer support packs for engaging local businesses and other organisations (via the Cambridge Climate Change Charter)

15. Promotion and take-up of these projects is carried through the following:
 - (a) Training and information workshops
 - (b) Site visits
 - (c) Newsletters
 - (d) Website
 - (e) Eco-renovation directory
 - (f) 1-to-1 visits
 - (g) Village Energy Show

16. As the number of parishes has increased so has the demand upon the Project Officer's time. Face-to-face meetings, running workshops and supporting village events is core work that generates very positive outcomes. This is importantly

supplemented with information via newsletter and website and specific support packs, frameworks and templates that can be tailored by volunteers to meet their local needs and circumstances. Capital and revenue costs, outside of officer time, are relatively low; the main ongoing expenses to date have been: energy monitors (single and three-phase), printing (parish energy booklets and event materials), thermal imaging camera training and hire, hall hire, site visits and licensing of the village car share database (the latter is currently subject to review).

17. Looking forward we do not anticipate purchasing any more energy monitors this year – this was one of the major start-up costs. Parish energy booklet print runs will be covered from the £10k ring-fenced fund as required. Hall hire costs are negotiated with parish councils where possible and the review of the license for the village car share database should keep its annual costs below £500 if it is deemed viable to continue.
18. Overall, therefore, the estimated annual revenue costs to the Council of continuing to support the Partnership into 2012/13 in its current mode of operation would be between £1500 and £2000 excluding the salary costs of the part-time Parish Energy Project Officer.
19. The following section provides detail on considerations as to how the Council maybe able to attract external funding to contribute to delivering essential support to SPEP.

Considerations

20. To date, the above delivery model has proved very popular and successful. The Council has established and developed a relatively unique partnership structure – directly embracing localism, sustainability, reducing carbon emissions, fuel poverty and self-reliance. It has opened a very important channel of communication that is taking community level awareness-raising of these issues into the all-important phase of engagement – where they become an active part of day-to-day decision-making.
21. One of the features of the Partnership is the diversity of its membership. Parish Council's sign-up because they recognise the potential value to their residents and that there are local volunteers prepared to take the available support forward in their communities. As much as every parish is different so is the capacity and interests of the volunteer groups and their members, and the relationship between the volunteer group and the Parish Council is similarly variable. A first consideration in terms of securing external funding would be to seek contributions from the Parish Councils signed up to the Partnership. It is arguable as to whether SPEP is as yet mature and secure enough across its membership to attract such contributions. If applied it would need to be some form of variable tariff (perhaps by population) but there is a real risk, without a very careful and balanced approach, that we would lose members and curtail our ability to attract new parishes at a time when we need to be pushing on to achieve greater and greater coverage.
22. The challenge, in a time of reduced/constrained public spending, is to push on the mainstreaming of engagement with sustainable energy whilst converting an increasing proportion of this engagement into delivering further tangible change on the ground. This is not any easy thing to do and 'normalising' the transition to sustainable energy communities and a low carbon economy is a long term programme. The experience from regional and national initiatives launched over the last ten years illustrate the importance of longer term programmes to provide confidence, consistency of message and continuity.

23. Central Government is in the process of bringing forward a new vehicle to accelerate this process of tangible change on the ground. This comprises a guaranteed return on investment from the installation of renewable electricity and heat generation technologies and an innovative loan scheme (incorporating some 'safety-net' grant support) for consumers to finance the energy efficiency measures.
24. The specific elements are:
- (a) The Feed-in Tariff (F-iT) – providing a significant revenue return to the owners of approved renewable electricity generation technologies. This was introduced from April 2010 and although tariffs are presently subject to review are expected to continue to provide a viable return for most community or individual property-scale installations.
 - (b) The Renewable Heat Incentive (RHI) – as above but for renewable or low carbon heat generation technologies. This will be introduced for commercial and community premises from 30th September 2011 (delayed from July) and should be introduced for domestic properties from Autumn 2012.
 - (c) Renewable Heat Premium Payments scheme (RHPP) – from 1st August some households will be eligible for grants to install renewable heat units. £15m has been allocated on a first come first served basis (but with £3m reserved for social landlords), the scheme will run until 31st March 2012 and is being administered by the Energy Saving Trust. The grants are aimed at the four million households not on the gas grid in England, Scotland and Wales. In these cases owners will be able to receive £1,250 for ground source heat pumps, £850 for air source and £950 for biomass boilers. Grants of £300 for solar hot water panels will be available to all households regardless of gas connection. Many parishes in South Cambridgeshire are off the gas grid. Heat meters will be installed in some properties to improve understanding of usage in advance of introducing the RHI for dwellings towards the end of next year.
 - (d) The Green Deal – a framework to enable private firms to offer consumer energy efficiency improvements to their homes, community spaces and businesses at no upfront cost and recoup payments through a charge in instalments on the energy bill that is 'attached' to the property (i.e. if the original customer moves out then the repayment obligation moves to the next bill payer). The 'deal' will be delivered by Green Deal 'providers' and will incorporate the following:
 - (i) the expected financial savings from the installed measures must be equal to or greater than the costs attached to the energy bill, known as "the golden rule" of the Green Deal;
 - (ii) measures must be approved for each property by an accredited, objective adviser who has carried out an assessment;
 - (iii) the measures must be installed by an accredited installer;
 - (iv) various consumer protections will be put in place.
 - (e) The Energy Company Obligation (ECO) – at the end of 2012 this will replace the Carbon Emissions Reductions Target (CERT) and Community Energy Saving Programme (CESP) which have been the main tools for driving uptake of energy efficiency measures. The ECO will provide a safety net for the Green Deal to help out those vulnerable low income households or those in expensive to treat properties (e.g. solid walls) where the 'Golden Rule' would not work within a 20-25 year repayment window. It is worth noting that the end of CERT will also probably mean that the current heavily subsidised loft and cavity wall insulation treatments will no longer be available for all - with the full price being paid through Green Deal finance (rising from the current £170 to something in the region of £450-£600 for a typical installation).

25. It is clear from the above that a great deal of the future work of the South Cambs SPEP will be tied to its role in supporting the roll-out of the Green Deal, ECO, RHI, RHPP and F-iT. The Partnership is ideally placed to facilitate in South Cambridgeshire each of these components of the Government's framework for tackling the very sizeable, urgent but to date largely intractable problem of comprehensive energy efficiency and microgeneration coverage across the country.
26. The SPEP was designed and is already making headway in unlocking consumer demand for such measures. The current Department of Energy and Climate Change (DECC) guidance states that bodies such as local councils or local community groups stand to be the organisations known and trusted by the consumer that will lead the promotion of the Green Deal.
27. Through the sector-leading Rampton Drift Retro-fit project the Council is also presently gathering a very significant and unique body of experience in what delivering the Green Deal will be all about. Working with commissioned partners Wilmot Dixon and PRP architectural consultants we are fitting out 13 properties in Rampton Drift with just the sort of measures the Green Deal will be bringing forward (the project is funded from Government's Housing Growth Fund).
28. Further consultation on the Green Deal is expected in September. A progressive and strong response from the Council and partners will be important so that Government appreciates that some local authorities already have potentially very effective consumer access structures in place. With a national programme such as this, coupled with tremendous interest from the commercial installers and investors, there is a real risk that a Green Deal blanket roll out using external marketing and engagement companies could undermine the local community capacity building that the SPEP has brought together.
29. Having acknowledged this risk, however, the Green Deal mechanism stands to offer SPEP significant opportunities to develop its impact and to attract external funds. SPEP has always recognised the importance of actively promoting Government subsidy and grant programmes that seek to bring forward residents as customers to take advantage of the savings and incentives on offer. These have included outstanding value cavity and loft insulation (via CERT), grants to replace very inefficient boilers (the scrappage scheme) and, most recently, an excellent rate of return on investment through installing renewable electricity generation technologies (through the Feed-in Tariffs).
30. In essence, SPEP volunteers have sought to signpost or hook-up their local residents with good quality and good value commercial suppliers and installers so that they can take advantage of the savings on offer. This is not only good for residents but also good for the suppliers and installers – bringing financial returns for both.
31. There is theoretically a financial dividend to be captured here by SPEP through, in effect, referring customers to approved suppliers/installers with the latter potentially being prepared to pay a small 'referral fee' back into the Partnership for all the installations completed as a consequence of SPEP volunteer group work in bringing customers forward.
32. We were in the process of trialling this through a vehicle carefully established and procured by the former Carbon Action Network East (CAN-East – a body bringing together all 47 local authorities in the eastern region to advance sustainable energy). Unfortunately, before we were able to bring the referral income stream on-line, CAN-East disbanded and with it went the legitimised delivery vehicle known as the Eastern

Carbon Reduction Initiative. The process did prove, however, that it should be possible for SPEP to generate an external revenue stream through a 'referral' model.

33. This potential is likely to exist in this form until the end of 2012 (when CERT is scheduled to cease) for domestic energy efficiency measures. With the advent of the Green Deal, however, in autumn 2012 a new and quite possibly more productive opportunity may arise. Operational details remain scant, but SPEP has the real potential to work closely with Green Deal Providers to more effectively secure local take up of the Green Deal assessments and 'offers'. This stands to provide bankable value to the 'Provider' that could be partially recouped to externally fund SPEP support.
34. A final consideration for securing external financial support would be to secure grant support for its operation from a body that recognised its value. Five years ago this might have been relatively straightforward, but in the current economic climate would be very much more difficult.
35. An over-arching matter that would influence all the above considerations is to reflect upon the future management structure for the delivery of SPEP support. Presently this is offered as a service by the District Council, through its officers with support from the Portfolio Holder and Climate Change Working Group. In the future, SPEP might like to become more independent of the Council – establishing its own Steering Group from the Partners and perhaps in the longer run setting up as an independent social enterprise-type body (e.g. a community interest company).

Options

36. The above considerations have drawn out four distinct options for raising external funding contributions for SPEP as the Partnership moves forward into 2012/13.
37. Option 1: Seek funding contributions from Parish Council Partners.
 - (a) Issues: This would probably need to be based upon establishing some form of service level agreement with each parish council that outlined the key deliverables that the support programme would provide to their respective volunteer groups. At this point in the development of SPEP, this would entail some form of variable tariff that reflected the capacity of the local volunteer group and also perhaps the population of the parish.
 - (b) Pros: would potentially strengthen the role of parish councils in the partnership and develop more direct accountability.
 - (c) Cons: would put pressure on internal partner relationships within each parish at a time when many volunteer groups are still developing, building their own confidence and capacity and benefitting from not feeling tied to providing specific delivery outputs. This is still relatively early days for the partnership and the risk of losing partners or creating barriers to signing-up new ones would probably be high if some form of subscription was required from respective Parish Councils.
38. Option 2: Develop a referral fee arrangement with local installers
 - (a) Issues: this would require procuring (via an open procurement process) the services of one, or maybe two, local installers who would then become SPEP's approved/recommended sustainable energy providers. In return for this market advantage the installers would contribute a referral fee back into the Partnership for each installation completed within the District (up to £20 per installation).

- (b) Pros: creates a specific incentive that focuses upon delivering installation on the ground. Provides a degree of confidence to customers seeking quotes – a direct route to delivery. Allows success to be easily monitored. Is beneficial to the local economy.
 - (c) Cons: may reduce competitiveness; may not generate significant revenue at first; would probably be overtaken by, or would conflict with, the introduction of the Green Deal Provider framework from autumn 2012.
39. Option 3: Link SPEP into the Green Deal provider chain as an agent for unlocking consumer demand
- (a) Issues: the effective penetration of the Green Deal will hinge upon developing quality access to householders. As a framework to enable private firms to offer consumers energy efficiency improvements to their properties this access will be crucial. The Partnership is in a position to facilitate this and, in adding value, has an opportunity to share in the profits whilst maintaining its local principals and aims. For example, a Green Deal Provider may be prepared to contribute to the funding of the Parish Energy Project Officer post as a local agent helping communities unlock consumer demand. The Rampton Drift Retro-fit project is providing us with very real experience and exposure to the nitty-gritty of Green Deal delivery on the ground.
 - (b) Pros: could provide a total solution and enable SPEP to provide a leading contribution to the Green Deal as a Government flagship. Would ensure that SPEP is directly working with the Green Deal process – if it does not there is a risk that it will undermine the work and approach of the Partnership.
 - (c) Cons: a service contract, with a Green Deal Provider or similar, could be constrictive to broader SPEP support work.
40. Option 4: Endeavour to secure an external support grant/award
- (a) Issues: although external grant/award funding sources are much rarer today than they were a few years ago, there is still potentially some availability for innovative projects bringing forward and establishing new delivery arrangements. SPEP could readily be seen as falling into this category for rural and semi-rural districts.
 - (b) Pros: subject to probably lengthy and successful application processes, grants generally supply a very secure, although time-limited, form of funding support. Successful applications also generate useful publicity and can in themselves help to attract additional sources of funding. May provide space/time to work on one or all of options 1-3 above.
 - (c) Cons: grants are one-off and generally short-term, mostly require match-funding and will not sustain a project in the long term (i.e. it will still be necessary to consider alternative options). Most grants are tied to specific delivery agreements on outcomes and monitoring which can prove onerous or deflecting from other priorities.

Implications

41. Financial	Subject to option selection and viability – potential to bring in external funding and reduce Council contributions to SPEP support.
Legal	Subject to option selection and implications (i.e. procurement and/or service contracts)
Staffing	Potential to provide additional security to SPEP support services.
Risk Management	Risk that ongoing spending cuts may threaten provision of dedicated SPEP support.

Equality and Diversity	None identified
Equality Impact Assessment completed	No Report is presently an options appraisal.
Climate Change	SPEP is the Council's lead programme for facilitating community-led carbon reduction.

Consultations

42. Portfolio Holder for Sustainability, Planning and Climate Change.

Effect on Strategic Aims

43. The ongoing development and support of SPEP, as part of the Council's Climate Change Action Plan 2011-13, is a priority Council Action for 2011/12.

Background Papers: the following background papers were used in the preparation of this report:

DEPARTMENT OF ENERGY & CLIMATE CHANGE, 2010, *The Green Deal. A summary of the Governments proposals.*

DEPARTMENT OF ENERGY & CLIMATE CHANGE, 2011, *What measures does the Green Deal cover?*

DEPARTMENT OF ENERGY & CLIMATE CHANGE, 2011, *Consumer protection in the Green Deal*

DEPARTMENT OF ENERGY & CLIMATE CHANGE, 2011, *Renewable Heat Incentive*

SCDC, 2011, *Climate Change Action Assessment 2011-2013*

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