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**Manchester City Council  
Report for Information**

**Report to:** Neighbourhoods Scrutiny Committee – 8 January 2012

**Subject:** GM Green Deal and Energy Company Obligation – Maximising Impact in Manchester

**Report of:** Deputy Chief Executive (Neighbourhoods)  
Head of Environmental Strategy

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**Purpose**

This paper summarises the work that has been undertaken to date to develop a GM Green Deal low carbon retrofit approach, and seeks Members views on how benefits for Manchester’s residents and businesses can be maximised.

**Recommendations**

That Neighbourhoods Scrutiny Committee is asked to:

- Note the GM Green Deal Business Case findings and proposal
  - Note the GMCA decision to approve the business case and move to immediate procurement, made on November 30<sup>th</sup> 2012.
  - Note the opportunity for Manchester to develop plans to maximise the impact of the Green Deal and ECO in Manchester wards
  - Consider and discuss how Manchester should maximise this opportunity
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**Wards Affected:**

All Manchester Wards

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**Background documents (available for public inspection):**

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents

are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

GM Green Deal Business Case – November 2012  
GMCA Report on GM Green Deal 30 November 2012.

## 1. Introduction

The Green Deal is the coalition government's flagship environmental policy, due for national launch in January 2013, accompanied by the Energy Company Obligation (ECO). This paper outlines the approach being developed in GM, that will result in AGMA authorities taking a proactive role in the establishment of the GM Green Deal: kick-starting a GM programme over 3 years that will help our poorest and most vulnerable households, improve our coldest homes, and create economic opportunities and benefits for local businesses

Across GM this Green Deal Partnership will:

- Catalyse over £100m of activity across the whole supply chain
- Generate £36m of GVA
- Support 1000 jobs across the supply chain, whilst opening up opportunities for new GM apprenticeship and training activities.
- Assist 15,000 households over three years make their homes warmer, with at least 2000 of these households being supported out of fuel poverty,
- Offering potential savings in the NHS alone of £1m per annum.

## 2. Background

The GM Climate Change Strategy commits AGMA to reduce greenhouse gas emissions by at least 80% by 2050. As 36% of GM's carbon emissions currently arise from the domestic sector and with an estimated 930,000 of today's housing stock still inhabited in 2050, the challenge and opportunity for GM to retrofit these houses to be more energy efficient is significant. Manchester's Climate Change Strategy, *Manchester: a Certain Future* commits the city to reduce emissions by 41% by 2020. This translates into the need to save 350,000 tonnes of carbon per annum within the domestic sector by this date.

Energy prices are being driven up by increasing insecurity of supply. GM's total energy bill has quadrupled to £5bn since 2000: a trend that is set to continue. In difficult economic times for UK households, energy bill increases of this scale are pushing more homes into fuel poverty (21% average across GM). A new Save the Children report, *Child Poverty: it shouldn't happen here* highlights Greater Manchester as having highest levels of Child poverty outside of London, and identifies rising energy costs as a particular burden on low income families.

In November 2011, AGMA agreed that a business case should be prepared to explore whether local authority involvement in the Green Deal could bring added value benefits to the local area, and if so, the optimum approach for Local Authorities in Greater Manchester to influence delivery. The Business Case, prepared with the support of Ernst and Young, sets out the approach taken, stakeholders engaged, the direct and indirect costs and benefits of action and inaction and risks associated with the creation of a Green Deal Delivery Partnership

On November 30<sup>th</sup> 2012, the GMCA agreed to:

- Approve the creation of a GM Green Deal & ECO Delivery Partnership as set out in the business case, with Manchester City Council to act as the lead Authority.

- Approve a maximum of £1.29M revenue funding for procurement and start-up costs from GMCA budgets (£0.305M in 2012/13 from AGMA revenue budgets and £0.985M in 2013/14 from GMCA budgets)
- Agree to move immediately into the procurement stage of the project; and agrees an in-year budget allocation of £0.305M.
- Procure a panel of Green Deal accredited private sector delivery partners, to whom all other Green Deal Provider roles and responsibilities including accessing ECO funding would be outsourced.
- Work with GM Local Authorities to draw up Green Deal plans across GM to align with other priority spatial programmes and policies
- Note the estimated £17m capital funding from GM local authorities required to act as a junior debt layer in the Green Deal Finance Company, to facilitate the draw down of up to £68m of Green Deal loans. The final detail and funding arrangements will be reported back to the GMCA when the final results of the procurement exercise are known in 2013/14.
- Request that outcome of the procurement process be reported back to GMCA so that the Business Plan can be re-validated alongside an updated analysis of risks and strategies for managing these, in the light of actual market-based proposals.

### **3. Green Deal and ECO**

The Green Deal seeks to unlock private investment in both domestic and non-domestic buildings. This will be achieved by funding energy efficiency measures at no up-front cost to the consumer, through a loan which is linked to the electricity meter rather than the individual. The loans are repaid over time (up to 25 years), based on a 'golden rule' where projected savings in energy bills are greater than the cost of repayments.

Existing programmes and subsidies that have driven growth in the domestic energy efficiency market in the last 5 years will cease in 2012/13. These include the Carbon Emissions Reduction Target (CERT) funding which has supported the GM 'Toasty' scheme in providing free loft and cavity insulation to households in GM, and the Warmfront scheme that has funded energy efficiency measures for vulnerable households including older people. They will be replaced by the Energy Company Obligation (ECO): distributed by the energy companies and funded through a levy on all our energy bills. Implemented alongside the Green Deal, £1.3bn of ECO pa will be used to support those in fuel poverty, in the poorest neighbourhoods and in the UK's hardest to treat houses.

Levels of take-up of ECO in particular will be crucial if Manchester City Council and partners are to maintain effective fuel poverty strategies and reporting against newly restored Home Energy Conservation Act (HECA) obligations.

### **4. Proposals for a GM Green Deal Programme**

A 3 year local authority led GM programme was agreed by the GMCA on November 30th. By taking early action in an emerging market, Manchester and its partner local authorities would be catalysing locally focussed activity.

GM local authority branding and local knowledge will be used to attract and engage local residents in the Green Deal. Procurement of a panel of Green Deal Providers is now under way, led by Manchester City Council. This panel will deliver Green Deal loans, the installation work and ongoing warranty requirements, on behalf of participating Local Authorities. The existing GM Energy Advice Service (GMEAS), located within Manchester City Council, is being adapted to create and manage customer demand, paid for by successful referrals, and working alongside local networks and staff.

In the current proposal, Green Deal loan finance would be provided by The Green Deal Finance Company, with any local authority investment into this company acting as a junior debt. All project costs, including procurement and set up costs and costs of finance would be recovered over the lifetime of the programme (28 years), subject to risks set out in section 8. At the end of this 3 year period, local authorities might choose to extend, continue or end their involvement – based on the development of the market and the success or otherwise of the programme.

It is assumed that 15,000 properties across GM will be retrofitted over the life of the programme, requiring £68m loan finance to fund the Green Deal loans. The current analysis works on the basis that this is a GM wide programme, delivering proportionately across all local authorities as outlined in the business case. By working together at a GM scale, Manchester will realise efficiency savings in terms of start up and procurement costs. In addition, AGMA's scale and brand, particularly when considered alongside other low carbon projects and investment opportunities, is attracting significant market interest from existing buying frameworks, social landlords, energy companies and potential Green Deal Providers.

## 5. Benefits of this approach to Manchester

Over a 3 year period, the programme is expected to deliver the following benefits in Manchester, and across Greater Manchester, as a minimum.

Local Authority area	% of households in GM (based on 2009 data)	Estimated number of houses retrofitted within this model	Level of ECO attracted into Local Authority / £m	Economic activity in the full supply chain / £m	Total GVA / £m	Total Jobs supported through model
<b>Manchester</b>	18%	2,701	3.0	19.0	6.6	194
<b>GM Totals</b>	<b>100%</b>	<b>15, 000</b>	<b>16.5</b>	<b>105.3</b>	<b>36.9</b>	<b>1077</b>

Of the 2,700 households that will be helped to make their homes warmer in Manchester, at least 360 of these will be supported out of fuel poverty. This scale of support will provide potential savings in the NHS alone of £180k per annum in Manchester, through reduced cold home related morbidity and mortality.

Retrofit of 2,700 homes is likely to save over 3,240 tonnes of carbon in Manchester, and whilst this pales into insignificance in relation to the 350,000 tonnes savings needed from the domestic sector by 2020, the programme will help to stimulate the

local supply chain to engage this emerging market and increase capacity for further delivery.

A focus on local business in the supply chain will enable Manchester's enterprises to establish themselves and upskill in this growth sector, whilst ensuring that economic benefits are retained locally and reinvested in the GM economy creating a multiplier effect. In May 2012, GM was announced as a Green Deal Skills Exemplar, attracting support from the Green Deal Skills Alliance to encourage local businesses and training providers to become "Green Deal ready".

## **6. Timescales**

The GM Green Deal programme will commence no later than January 2014. The specification is under development, with a view to issue the Procurement advertisement in late February / early March 2013. This will ensure that preferred partners are selected by October 2013, and ready to begin installations in 2014.

## **7. Managing market transition**

During the procurement and set up period in 2013, Greater Manchester authorities will work together to manage the transition of its current loft and cavity wall insulation offer and fuel poverty services, into the new ECO market. A good example of how this can be achieved is the success of a GM bid to DECC for £3M to fund a programme of Green Deal 'Go Early' low carbon retrofit projects in social and private housing across at least seven GM local authority areas by March 2013. A referral fee model is being developed for ECO to maximise investment in 2013, and to support the associated marketing activities of the GMEAS.

## **8. Maximising Impact in Manchester**

Developing Community ECO schemes (in lowest 15% IMD areas) and Affordable Warmth ECO opportunities for vulnerable, fuel poor households, will be instrumental in gaining early momentum in 2013, and the GMEAS is working with GM local authorities, housing providers, health and social care agencies to develop Green Deal and Eco plans for each local authority area. At GM Wider Leadership Team Level there is commitment to bring together existing research and data and co-ordinate activity around fuel poverty and cold related illnesses.

Within Manchester, it is proposed to set up a Green Deal and ECO delivery group to include senior Housing, Health, Adult Social Care, Regeneration, Neighbourhood Delivery Team and Environment Officers in the New Year, to develop Manchester's area plan. Members views will be invaluable in shaping this activity.

## **9. Conclusion and next steps**

Whilst there are many questions and uncertainties around the Government's Green Deal and ECO framework, most notably around availability of funding and appetite of households to take on Green Deal loans; it is also clear that this will be the only national public policy framework which addresses domestic energy efficiency and fuel poverty. All current funding streams, including Warmfront and CERT funding of loft and cavity insulation will end this financial year and AGMA/GMCA's decision to

form a delivery partnership will ensure GM has direct influence in this emerging market.

Within Manchester, we now have the opportunity to shape our involvement within the programme to maximise economic benefits and opportunities local businesses, and to direct support to our most vulnerable people and places. Whilst the carbon emission reductions will be small in comparison to the overall level of savings required from the domestic sector, this activity will be critical in stimulating capacity within the local supply chain to enable further delivery.