

SUSTAINABLE DEVELOPMENT SELECT COMMITTEE			
Report Title	Sustainability consultancy proposal		
Key Decision	No		5
Ward	All		
Contributors	Asset Management Planning Manager; Sustainability Manager		
		Date	8 March 2016

1. Purpose

- 1.1 This report provides an update to the Sustainable Development Select Committee on income generation through delivery of sustainability services and sets out the approach proposed for 2016/17. The report also serves as a summary on the Council's Home Energy Conservation Act (HECA) report.

2. Summary

- 2.1 In June 2015 the Committee discussed proposals to develop a 'consultancy-style' approach to the Council's work on sustainability, energy efficiency and carbon reduction. The model proposed was based on:
- Delivery of projects on behalf of other local authorities
 - Responding to tender opportunities for relevant policy and delivery work
 - Use of the Council's existing delivery framework to generate an income through a % recharge on all works delivered
- 2.2 Since that meeting the Government ended or reduced the majority of energy efficiency, fuel poverty and carbon reduction programmes. These changes mean the original context for the consultancy proposal has markedly changed. In addition, internal discussions on the consultancy concept identified a number of other barriers in particular the implications for VAT and the potential scale of internal recharges. It is suggested that, based on these factors, the proposal on a sustainability consultancy is no longer a viable option at this point in time.
- 2.4 Current activity in the borough on solid wall insulation however indicates that there is a potential market in south east London for energy efficiency works. Local authorities could play a valuable role in helping residents access opportunities, which could also create opportunities for local businesses and employment. If successful, this work offers environmental and economic benefits and scope for social benefits by using resources to support vulnerable households.

- 2.5 It is proposed that a key focus of the approach for 2016/17 is to extend the development of a home retrofit offer to 'able-to-pay' households in south east London linked to a locally-based supply chain.

3. Recommendations

- 3.1 The Sustainable Development Select Committee is asked to note the contents of this report and support the approach set out in section 6 for activity in 2016/17.

4. Policy Context

National

- 4.1 The Climate Change Act 2008 sets a legally binding commitment of an 80% reduction in greenhouse gases for the year 2050 from a 1990 baseline with an interim milestone of 34% by 2020.
- 4.2 In 2015 the UK Government signed up to 40% reduction in greenhouse gases by 2030 from a 1990 baseline, as part of a multilateral agreement at the 2015 United Nations Climate Change Conference.
- 4.3 The Government's Fuel Poverty Strategy published in 2015 sets targets for minimum energy standards for fuel poor households with milestones identified for 2020, 2025 and 2030.
- 4.4 The Home Energy Conservation Act (1995) as amended by DECC guidance in 2012 sets a statutory obligation on local authorities to publish details of their plans to improve energy efficiency in housing in their local area. Lewisham's HECA report was submitted to the Sustainable Development Select Committee and agreed at Mayor and Cabinet before being published in March 2015. The Council is due to update this report by March 2017 and this report provides the Committee with a mid-point summary.

Local

- 4.5 Lewisham's Sustainable Community Strategy includes the strategic priority 'Clean, green and liveable': where people live in affordable, high quality and adaptable housing, have access to green spaces and take responsibility for their impact on the environment.
- 4.6 Climate Local, the successor to the Nottingham Declaration, was launched by the Local Government Association in 2012 as a means to demonstrate local government's commitment to action on climate change. Lewisham Council signed up to Climate Local in November 2012, and published an action plan setting a new borough-wide carbon reduction target of a 44% reduction in CO₂ emissions by 2020 from a 2005 baseline.

5. Activity in 2015/16

Sustainability Consultancy

- 5.1 As part of the re-organisation of Regeneration & Asset Management division officers developed a proposal to achieve additional income through a consultancy-style service on sustainability and delivery of area-based energy projects. The proposal, discussed at the June meeting of the Sustainable Development Select Committee, was intended to:
- Generate income for the Council
 - Enable Lewisham Council to address sustainability challenges within the existing financial constraints
 - Support economic development objectives for employment and local businesses
- 5.2 The proposal forecast an income of £60,000 in 2015/16 rising to £100,000 a year after that.
- 5.3 Sources of potential income generating work were identified as:
- Proactively approaching local authorities and others to offer our resources and delivery mechanisms including funding that we have been able to access
 - Responding to tender opportunities issued by local authorities and other organisations
 - Use of the Council's existing OJEU compliant procurement framework which generates an income through a % recharge on all works delivered
- 5.4 The proposal put to the Committee in June 2015 was to establish the consultancy as a wholly owned subsidiary of the Council to enable it to trade freely with individuals and private sector companies. This was to avoid the restrictions on charging that exist under the Local Authorities (Goods & Services Act) 1970.
- 5.5 During 2015/16 the Government ended or reduced a wide range of energy efficiency, fuel poverty and carbon reduction programmes including:
- Cutting the feed-in-tariff by 63.5%
 - Ending the Green Deal programme
 - Reducing funding available through the Energy Company Obligation
 - Removal of the Zero Carbon Homes Standard
 - Withdrawal of funding for carbon capture and storage
- 5.6 The impact of these changes has limited the scope of consultancy activity possible, including:
- Reduced access to sources of match funding or income streams affecting the financial viability of projects
 - Cuts in local government funding and staffing for sustainability reducing the capacity of other local authorities to deliver projects. Although this was originally seen as an potential opportunity, in practice the limited capacity

means organisations generally lack even the capacity to procure external resources

- Political decisions in some local authorities that as a non-statutory function this is not an area the council should be involved in (even where they are not putting any resource in to delivery)
- Lack of suitable funding or tender opportunities to bid for, either individually or jointly

5.7 Despite these challenges the forecast income achieved in 2015/16 is £33,000 of which 75% has been secured through a recharge on works delivered through the Council's framework and 15% from the feed-in-tariff. Further details of the works delivered are set out below.

5.8 Discussions with officers in HR, legal and finance identified a number of issues with the proposal to establish a separate entity. These included the implications for VAT adding to the cost of works and the scale of internal recharges likely. Furthermore it was concluded that while the 1970 Act restricts the ability to charge a profit it is still possible to charge in a way that generates income through full cost recovery.

Green Deal Communities Fund

5.9 Lewisham secured £1.65m from the Department of Energy & Climate Change (DECC) from their Green Deal Communities Fund (GDCF) in April 2014, with Lewisham taking the lead for the project operating in Bexley and Bromley. The scheme offered residents up to £7,200 of funding for a range of energy efficiency measures: 50% off the cost of solid wall insulation up to a maximum of £6,000 and up to £1,200 for other energy efficiency measures.

5.10 Initial negotiations with DECC following the award of the grant were protracted and work to deliver did not start until November 2014. Although there was little existing knowledge of solid wall insulation 192 homes were signed up by the deadline of 30 September 2015 and works are on schedule to complete by 31 March 2016. The table below shows the breakdown of properties involved by borough and tenure.

Tenure	Bexley	Bromley	Lewisham	Overall	GDCF Grant	Customer Contribution
Owner Occupier	24	26	18	68	£369,301.47	£476,542.69
Private Landlord	1	1	8	10	£27,014.25	£32,845.43
Lewisham Homes	0	0	28	28	£83,956.91	£83,956.91
Affinity Sutton	0	82	0	82	£415,021.64	£510,691.51
Wandle	0	2	2	4	£23,898.67	£36,140.48
Total	25	111	56	192	£919,192.94	£1,140,177.02

5.11 Despite a general low-level of awareness of solid wall insulation, and the wider backdrop of the Green Deal scheme failing at a national level, the Lewisham project has shown there are households willing to pay substantial sums for home energy works.

- 5.12 £125,000 of the GDCF grant was allocated to activity supporting the energy efficiency supply chain. The initial target of 50 individuals and organisations supported through accredited training was met relatively early on. Given the potential local economic benefits officers have subsequently looked to use the resource to do further market analysis and develop potential mechanisms for delivering an offer to an able to pay market.
- 5.13 This has included work in partnership with Goldsmiths College to map the energy efficiency supply chain and identify design solutions that could address ongoing or systemic issues within the supply chain. The project has completed the diagnostic phase and developed an alternative approach to marketing and communicating with households.
- 5.14 Officers also commissioned Future Climate to undertake an assessment of the domestic retrofit market in Lewisham and South East London identifying socio-economic and property characteristics in the borough and south east London and linking these to potential delivery mechanisms and packages of measures.

Warm Homes, Healthy People

- 5.15 Now in its fifth year, Lewisham's Warm Homes, Healthy People scheme offers a package of support to people who are vulnerable to the cold as a result of their personal circumstances or pre-existing health conditions. The scheme is offering up to 400 people support by 31 March 2016 and has already provided support to 200 households and is on target to complete by the deadline.

6. Proposed activity in 2016/17

- 6.1 It is proposed that a central focus for 2016/17 is to develop the offer to an 'able-to-pay' market and align this to a localised supply chain. The willingness of residents to invest significant sums of money on solid wall insulation, and the work undertaken in 2015/16 with Goldsmiths and Future Climate suggest there is a potential opportunity to deliver home retrofit works in ways that generate an income and respond to the Council's economic, environmental and social objectives.
- 6.2 Further market testing and development of the offer and supply chain is needed, and establishing an initial pipeline of works is likely to require some further financial incentive. One of the ways that this could be achieved is through a bid for European funding through the Horizon 2020 funding stream which offers up to 100% of the project costs for delivery and has suitable funding call deadlines in September 2016.
- 6.3 Heat networks and decentralised energy will continue to be an active area of work, taking forward the proposed New Cross Network linking SELCHP and Goldsmiths as well as potentially a new feasibility study, currently subject to the outcome of decisions from DECC, extending the network to the development sites in the North of the borough.

- 6.4 Officers are also exploring opportunities for a partnership with an external funder to deliver investment in the Council's operational estate and potential for local energy generation.
- 6.5 Officers hope to continue to be able to maintain the award-winning Warm Homes Healthy People project in 2016/17 offering support to residents vulnerable to fuel poverty. This project however is at risk having lost its dedicated officer and is reliant on ongoing project funding from Public Health which cannot be guaranteed. The support of the Committee for this project would be welcomed.

7. Financial implications

- 7.1 There are no direct financial implications arising as a result of this report. The report does however relate to existing savings proposals, in particular those relating to the reorganisation of Regeneration and Asset Management.
- 7.2 The expenditure to be incurred or income achieved in delivering the proposed work in 16/17 relates to existing budgets. Any expenditure required outside of existing budgets would be subject to Council decision-making processes.

8. Legal implications

- 8.1 The Local Authorities (Goods & Services Act) 1970 enables local authorities to enter into agreements with other local authorities or public bodies. It is permissible to make a profit under this legislation. The power can be used for various purposes including providing administrative professional technical services. This legislation does not permit provision to the private sector or members of the public.
- 8.2 Section 95 of the Local Government Act 2003 (2003 Act) enables the Secretary of State to authorise Best Value Authorities to do "for a commercial purpose" anything which they are authorised to do for the purpose of carrying out any of their ordinary functions. A local authority must have the power to undertake the activity before deciding whether or not to trade. The trading power cannot be used where a local authority is required to do something (i.e. has a duty to do something free of charge).
- 8.3 The Localism Act 2011 introduces a general power of competence for local authorities to do anything an individual could do unless it is expressly prohibited. Section 4 of the Localism Act which sets out the limits for local authorities on doing things for a commercial purpose in exercise of the general power, does not take anything away from the existing statutory framework for actions in pursuit of commercial purposes under [Section 95](#) of the 2003 Act. The Localism Act 2011 extends the existing commercial purposes scheme under the 2003 Act in relation to acts that are undertaken in exercise of the general power so that if the general power permits a local authority to carry out a particular activity, then section 4 empowers the authority to do that activity for a commercial purpose.

9. Crime and disorder implications

9.1 There are no specific crime and disorder implications arising from this report.

10. Equalities implications

10.1 There are no direct equalities implications arising from this report.

11. Environmental implications

11.1 There are no specific environmental implications arising from this report however national, regional and local targets for carbon reduction depend in part on the delivery of domestic energy efficiency measures which these proposals seek to facilitate and support.

If there are any queries on this report please contact **Martin O'Brien, Asset Management Planning Manager**, 020 8314 6605.

Background Documents

Report to the Sustainable Development Select Committee June 2015

<http://councilmeetings.lewisham.gov.uk/documents/s37214/05Consultancy300615.pdf>

Lewisham Council's 2015 Home Energy Conservation Act (HECA) Report

<http://www.lewisham.gov.uk/getinvolved/environment/energyefficiency/taking-the-lead/Documents/Lewisham%202015%20HECA%20Report.pdf>

Lewisham Council's Climate Local Action Plan

<http://www.lewisham.gov.uk/getinvolved/environment/energyefficiency/taking-the-lead/Documents/ClimateLocalActionPlan.pdf>