

<p><b>LONDON BOROUGH OF BRENT</b></p> <p><b>MEETING OF THE EXECUTIVE</b></p> <p><b>17 JANUARY 2005</b></p> <p><b>REPORT FROM DIRECTOR OF HOUSING</b></p>	
For action	Wards affected: ALL

**Report Title: "HEATSTREETS" PROJECT**

Forward Plan Ref: HSG-03/04-38

## **1.0 Summary**

- 1.1 "Heatstreets" is a proposed two-year cross-Borough Energy Efficiency Scheme covering the 7 West London boroughs comprising the "West London Sub Region". This involves improvements to cavity and / or wall insulation, and heating systems. Funding has already been agreed by the Government Office for London (GOL). This report seeks authorisation to proceed with this project, with LB Hounslow as the lead authority, ensuring compliance with the terms of the Grant determination letter from GOL.
- 1.2 Authority is also sought for the Director of Housing to enter into a legal agreement with LB Hounslow and the 6 other boroughs ("the Inter-Borough Agreement") defining the responsibilities of all partners.

## **2.0 Recommendations**

- 2.1 That Authorisation be given to proceed with this scheme, with LB Hounslow as the lead authority.
- 2.2 That Authority be given to the Director of Housing to enter into a legal agreement with LB Hounslow and the other local authorities involved in the scheme ("the Inter-Borough Agreement") defining the responsibilities of all partners and for the procurement of services from Powergen through its Agreement with the London Borough of Hounslow.
- 2.3 That Members agree in accordance with Standing Order 85(a) that there are good financial and operational reasons not to comply with the requirements of Standing Orders 89 and 90 in relation to the approval of pre-tender considerations in relation to the Heatstreets scheme.

### **3.0 Detail**

- 3.1 The Private Housing Stock Condition survey 2003 identified the need for an investment of £85m in order to increase the energy efficiency of Brent's private housing stock to meet the requirements of the Home Energy Conservation Act 1995. The type of energy efficiency improvements needed typically include additional loft and cavity wall insulation, improved heating controls, new boilers and central heating systems.
- 3.2 In December 2003, the London Housing Board invited bids for cross-borough regeneration projects. After dialogue with the 6 other West London Boroughs LB Hounslow submitted a bid on behalf of the "West London Sub Region" to GOL for £3.6m to fund a two-year 'Heatstreets' Energy Efficiency Project to address the above need. It is estimated that Powergen, the principal supplier under the Heatstreets project, together with private home owners will contribute a further £9m.
- 3.3 Following a tender process run by the seven local authorities in the West London Area Powergen has been selected and wishes to offer owner occupiers and private rented tenants in this area the ability to benefit from free or discounted energy efficiency saving measures under a scheme known as "HeatStreets".
- 3.4 Powergen is a supplier of gas and electricity to customers and has an obligation under their "Energy Efficiency Commitment" to make energy savings in the domestic sector. By providing funding for energy efficiency measures Powergen, working with Local Authorities, can provide customers and non customers free or discounted energy saving measures.
- 3.5 The selection procedure was not based on price alone but Powergen's ability to deliver the volume of work, to the high quality expected by private home owners. Powergen were deemed to deliver overall Best Value with significant external leverage and flexibility. Heatstreets is the only energy efficiency scheme that offers a fully managed solution to alleviate fuel poverty and improve the energy efficiency of the owner occupied sector in a fully integrated manner. Heatstreets has a proven track record that has been developed over 4 years in Derwentside, Sunderland and Knowsley. This is an improvement over past schemes such as the British Gas "Home Essentials For Life Programme" and "Warm Zone" schemes because these were mainly only able to fund works in the social housing sector for tenants in "fuel poverty" (spending over 10% of income on heating). 'Heatstreets' aims to target a wider range of householders from working families to low income fuel poor and elderly residents.
- 3.6 The scheme allows for flexible targeting of specific areas. All 7 boroughs have different levels of stock condition data and different stock profiles, so the approach will be tailored to each borough.
- 3.7 Powergen will provide before and after energy ratings for the dwellings benefiting from improvement works, and detailed reports on number, type, and cost of works done. This information will assist in targeting other energy efficiency and affordable warmth programmes and will offer the opportunity to refer appropriate cases to other funding streams such as the government funded "Warm Front" grants.

3.8 LB Hounslow will act as the co-ordinator for smooth running of the project. Individual boroughs will be responsible for identifying the areas likely to benefit from improvements giving the best value for money (typically areas with houses having un-insulated cavity walls) and forwarding the relevant details to Powergen. Such areas have already been identified by “Energy Solutions North West London” (ENSWL - formerly “Brent Energy Network”), from their local knowledge. The programme will run over 2 years and GOL have acknowledged the need for the delivery plan to be sufficiently flexible between years 1 and 2 to allow effective programme management. Powergen will be contracted to provide timely and adequate monitoring reports. Each of the 7 individual boroughs will monitor the progress of surveying and grant delivery in their respective areas and LB Hounslow will manage the overall cash flow of the project. No money will flow through LB Brent’s or ESNWL’s accounts. GOL will monitor the project delivery plan on a quarterly basis.

3.9 There will be a Project Management Board comprising representatives of the participating boroughs.

#### 4.0 Financial Implications

4.1 The GOL funding (£1.8M in 2004/5, and £1.855m in 2005/6) is mainly a capital grant and will be divided equally between each of the 7 boroughs. Powergen will provide top up funding and in some cases householders will be expected to make a contribution of 25% or 50% depending on their circumstances, as outlined below:

HOUSEHOLDER PROFILE	GOL	POWERGEN	HOUSEHOLDER
Householder on benefit or in fuel poverty but does not qualify for government grants.	50%	50%	Nil
Householder over 70 years	50%	50%	Nil
Householder not on benefit but with child under 16 years	50%	25%	25%
Any other householder who does not qualify for a government grant	Nil	50%	50%

4.2 Heatstreets’ prices are based on a competitively tendered schedule of rates and Powergen, the scheme’s owner, is subject to supervision, monitoring and regulation by OFGEM. The figures set out below for the scheme in Brent are only indicative. They are based on GOL’s grant determination.

<b>CONTRIBUTOR</b>	<b>2004/5</b>	<b>2005/6</b>
Powergen	£430,861	£430,861
GoL	£257,143	£265,000
Householders	£216,280	£216,280
Brent Council	£nil	£nil
<b>Total</b>	<b>£904,284</b>	<b>£912,141</b>

- 4.3 Details of the likely outcomes and spend will be clearer, once surveys are underway and Powergen are providing regular progress reports. However it is anticipated that in Brent 4285 dwellings will benefit from additional cavity wall and / or loft insulation, and 400 dwellings will have their heating systems improved, over the 2 year period in question.
- 4.4 The above figures include £21,429 per year towards revenue costs of administering the scheme in each borough, such as the costs of officer time spent attending the Project Management Board, monitoring the programme and any legal fees incurred by the Council in reviewing the programme. This is considered adequate to cover the costs that the Council will incur therefore the scheme is cost neutral to the Council.
- 4.5 The grant letter from GOL and the draft delivery plan contain acceptable conditions. However, funding for the scheme in the second year is dependent on satisfactory programme delivery in the first year.
- 4.6 It is clear that for various reasons associated with the complexity of an inter-borough transaction being implemented at short notice, there will be programme slippage in 2004/5. LB Hounslow is in discussion with GOL about adjusting the allocation for 2004/5 and looking to extend the programme into 2006/7.
- 4.7 The main programme risk is ensuring Powergen's performance in collecting the initial needs data and, in particular, their surveyors' rate of access. Without a satisfactory rate of access, the energy efficiency measures cannot be programmed for implementation within the life of the project. Careful and close monitoring of progress by the individual boroughs (ESNWL in Brent's case) is therefore key and will form an essential element of the inter-borough legal agreement.

## **5.0 Legal Implications**

- 5.1 The Council has powers to enter into such a scheme and to assist borough residents with energy efficiency initiatives under the Home Energy Conservation Act 1995, the Warm Homes and Energy Conservation Act 2000, s111 of the Local Government Act 1972 and under s2 of the Local Government Act 2000 (power to do anything which the Council considers is likely to achieve the promotion or improvement of the economic, social and environmental well-being of its area), which officers consider to be the case in this instance. Regard has to be had to the Council's Community Strategy when relying on the well-being power and the Council's Community Plan makes specific reference to including the quality of private housing and the dwelling stock generally and to helping residents improve their own environment.
- 5.2 Whilst it is anticipated that contributions will be sought from householders (with variables taking account of income), these are not considered to be charges by the Council. In effect, householders will be getting subsidised home improvements through GoL and Council financial assistance.
- 5.3 LB Hounslow will act as accountable body to GoL, with financial and legal responsibility for delivery of the 'Heatstreets' scheme. LB Hounslow will enter into a contract ("the Prime Contract") with Powergen under which Powergen will be the 'Prime Contractor' for delivering the scheme. Under the Prime Contract, Powergen is required to indemnify LB Hounslow against any claims arising from poor performance. Brent officers are seeking to get this indemnity extended to all members of the London Authorities Consortium.
- 5.4 The participating boroughs will then enter into the Inter-Borough Agreement by which they (including Brent) agree to comply with the conditions of grant imposed by GOL in order to receive their share of the GOL grant. The provisions include an indemnity to each partner by the other participating boroughs against any claims which may be brought against them arising from the negligence or misconduct of the other partner local authorities. A draft contract has been prepared by LB Hounslow Legal Services which has been reviewed by Brent Legal Services, and subject to further negotiation on the indemnity point referred to above, should be satisfactory.
- 5.5 Contract Standing Orders require Executive approval for the entering into any Agreement if the value of the agreement is estimated to exceed £500,000 in respect of services over the life of the contract, as is the case here.
- 5.6 Given the nature of the scheme and the fact that Powergen has been procured by LB Hounslow on behalf of a number of boroughs, the Council pre-tender considerations are not seen as appropriate for determining whether or not to proceed with this transaction and the recommendations to this report request accordingly that Members agree in accordance with Standing Order 85(a) that there are good financial and operational reasons not to comply with the requirements of Standing Orders 89 and 90 in relation to the approval of pre-tender considerations in relation to the Heatstreets scheme.

5.7 The procurement of Powergen by the 7 London boroughs is understood to have been conducted in accordance with the requirements of the EU public procurement Regulations. In accordance with the provisions of s101(5) of the Local Government Act 1972 the Council has the power to work jointly with other local authorities in relation to the discharge of its functions, as is the case in this instance.

## **6.0 Diversity Implications**

6.1 None

## **7.0 Staffing / Accommodation Implications (if appropriate)**

7.1 The scheme requires very little direct involvement from Brent Council once it is operational. The only involvement from the Council is the preparation of this report and the taking of the decision as to whether or not the scheme should proceed, and attendance at the Project Management Board. Copies of invoices to householders will be checked by ESNWL to verify that they are in the borough and should be paid. ESNWL will not check the work on site, since quality control, by "Energy Saving Partnership Ltd", is already built into the scheme. All of these costs are recoverable from GOL.

## **Background Papers**

Funding bid from LB Hounslow on behalf of the 7 boroughs  
GOL grant determination letter.  
LB Hounslow / Powergen contract  
LB Hounslow / LB Brent contract

## **Contact Officers**

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