

Item 6

Memorandum of Understanding on Climate Change and the Green Deal

Purpose of report

For discussion, direction and decision

Summary

This report updates the Board on the Memorandum of Understanding on Climate Change and the Green Deal.

Recommendations

The Board is ask to:

1. agree a representative for the Declaration Board
2. agree to write to the Secretary of State on the MOU
3. agree to write to the Minister on the ECO and social housing
4. agree a position on the Social Housing Pledge

Action

Officers will take forward actions based on the decisions made by the Board

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The Memorandum of Understanding on Climate Change and the Green Deal

Background

1. The Memorandum of Understanding (MOU) (attached as **Appendix A**) was signed by the Local Government Group and the Department for Energy and Climate Change (DECC) on 15 March 2011. The aim of the MOU is to enable a better working relationship between the LG Group and DECC, to enable better policy decisions that work for the sector, and to create a voluntary framework for councils to express their ambition on tackling climate change.
2. The MOU includes a commitment to refresh the Nottingham Declaration. The Nottingham Declaration was launched by Nottingham City Council in 2000, and has been signed by over 90% of councils. It is an example of a sector-led approach to committing to an issue that has been identified as a local priority for the council, without the need for central government targets or duties. The aim is to build on this sector-led voluntary approach to make it relevant for councils acting on climate change in 2011 and beyond.
3. Part of the proposed content of the Nottingham Declaration includes local action on the 'Green Deal'. The Green Deal is the Government's flagship environmental programme, designed to enable them to meet the Climate Change Act 2008. It is a new funding mechanism whereby the energy bill payer of a domestic or commercial property agrees to a long-term payment on their energy bill in exchange for improvement works to their home or property to reduce the amount of energy the property wastes. The improvement work should result in an energy bill saving that is greater than the payment, resulting in an overall reduction in cost for the bill-payer.

The issues

4. Whilst continued support for the MOU has been expressed by ministers and DECC is working more closely with us on climate change issues, DECC has cut all of its funding for supporting councils and the public sector. We had been working on a co-commissioning model for support to councils as part of the MOU, particularly in preparing for the Green Deal, but the removal of funding has meant there is currently no funding available to progress the MOU or the Nottingham Declaration.

Item 6

5. At the same time, Government has made the decision not to repeal the Home Energy Conservation Act, but to use it to ensure every council takes action on the Green Deal.
6. DECC is also looking to the social housing sector to pledge its properties to the Green Deal. DECC is seeking this pledge to demonstrate to the finance community that there is a market for the Green Deal, so that they will release their investment capital. However, social housing providers would be pledging their tenants to a 25 year charge on their energy bill, with no current indication of costs.
7. A potential new source of funding for energy efficiency improvements is the 'Energy Company Obligation' (ECO). Energy companies are legally required to meet carbon reduction targets and help the fuel poor, and the energy companies pay for this by placing a charge on all their customers' bills. This will be introduced within the new Energy Act 2011. We are continuing to lobby for these funds to be made directly available to councils to enable them to take appropriate local action.

8. The Memorandum of Understanding

- 8.1 We are currently consulting with the local government community on the proposed new Nottingham Declaration. The results of the consultation, alongside a report on the Local Carbon Framework Pilots, will be made available to a special meeting of the Nottingham Declaration Partnership, as a newly formed Board, on 1 November 2011. Decisions on the next steps for the Nottingham Declaration will be drafted at this meeting, and will be part of the Environment and Housing Board report on 16 November 2011. The new Nottingham Declaration will be launched at the LG Group's Annual Climate Change Conference on 29 November 2011.
- 8.2 In order to give the new 'Nottingham Declaration Board' momentum, status and a direct link to the Environment and Housing Board, **the Board is requested to nominate a representative to the Nottingham Declaration Board.**
- 8.3 Progress on the MOU has been affected by the restructure within DECC. A decision was made to remove their public sector team, who had been our point of contact, and their budget, which had been funding support to councils, shortly after the MOU was signed.
- 8.4 Whilst the signing of the MOU has enabled better working relations between us and DECC, we had been working towards a co-commissioning model of directing support to councils. There is now no funding to enable us to achieve this.

Item 6

- 8.5 DECC and the Department for Communities and Local Government (DCLG) are placing great emphasis on a new voluntary declaration for councils (the new Nottingham Declaration). They are currently monitoring the update of the new declaration and this will determine the nature of the new statutory guidance on HECA, and future decisions on statutory 'local carbon budgets'.
- 8.6 It is **recommended that the Board writes to the Secretary of State, Chris Huhne, to introduce the new Chairman and to underline DECC's commitment to the MOU** and set out that resources are also required to enable the agreement to progress.

9. The Green Deal

- 9.1 The Home Energy Conservation Act (HECA), which currently requires councils to submit information on the energy efficiency of properties within their area to Government, is being retained and updated to ensure every council acts on the Green Deal. We are arguing that funds should be made available to enable councils to achieve the requirements under the new guidance.
- 9.2 New funding could be available if the new Energy Company Obligation (ECO) is designed to enable councils to have direct access to the resources available. Proposals are being considered by DECC to make the funding more widely available to all types of organisations. However, it is being argued that the social housing sector has already received the majority of funding from previous schemes (CERT and CESP) and that other resources are available to this sector (decent homes).
- 9.3 The Minister for Energy, Greg Barker, is asking social housing providers to 'pledge' their properties to taking up the Green Deal. This would mean social housing providers would commit their residents to the 25 year Green Deal payment plans with private companies to receive energy efficiency improvements.
- 9.4 It is **recommended that the Board agree to sign a joint letter to the Minister with the National Housing Federation and social housing providers that sets out the importance of ECO funding to the Social Housing Sector.**
- 9.5 It is **recommended that the Board agrees a position statement on the Social Housing Pledge.** Council advisors have stated that they support the concept of the Green Deal, and are willing to pledge to improve the energy efficiency of their social housing stock, but not to tie this exclusively to the Green Deal, since the cost to their residents would not

Item 6

be available until a Green Deal Assessment has taken place, and other options may provide better value for money.

Conclusion and next steps

10. DECC has withdrawn resources from supporting councils at a time when councils are being asked to voluntarily sign up to ambitious targets on climate change, with the threat of increasing statutory guidance if they choose not to. They are also being statutorily engaged in the Green Deal via the Home Energy Conservation Act, without the availability of funding via the new Energy Company Obligation being agreed.
11. At the same time, the crucial role of councils in realising the Government's ambitions on Green Deal are being made more apparent, which places the sector and the Local Government Group in a stronger position to negotiate with DCLG and DECC.
12. In addition to the recommendations set out in this paper, DECC are inviting members of the board to discuss these issues with Greg Barker during his visit to Manchester at the time of the Conservative Party Conference. We are also organising a high-level round table with Greg Barker, leading members and chief executives on the Green Deal and other energy issues, date to be confirmed.
13. The LG Group Annual Climate Change Conference, this year focusing on the Green Deal, is being held on 29 November at Local Government House, and the Minister has confirmed his attendance. The conference is currently over-subscribed, which demonstrates the interest in this issue within the local government sector. Depending on the increasing level of demand, we will consider a larger venue if required.

Financial Implications

14. Without the anticipated contributory funding from DECC, the LG Group is currently unable to provide an improvement offer related to the MOU, local carbon frameworks and the Nottingham Declaration.