



Belfast City Council

Report to:	Strategic Policy and Resources Committee
Subject:	Green New Deal
Date:	17 February 2012
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Relevant Background Information

At the Strategic Policy and Resources Committee meeting on 21st October 2011 it was agreed that further work would be undertaken to assess the potential of the Council's involvement in the Green New Deal scheme. This report provides an update on the progress of the work undertaken and resultant recommendations.

The 'Green New Deal' (GND) proposal is a joined up approach aimed at tackling the '*triple crunch*' of recession, rising energy prices and climate change by installing a series of energy efficient measures to combat fuel poverty.

The GND is targeted at homes that do not fall within the other "Warm Homes" type initiatives currently administered through the NIHE. The homeowner would be provided with a loan to provide energy saving improvements such as insulation and boiler replacement. The loan would be required to be repaid with interest using the energy savings achieved.

The scheme would be financed through £2.4m from the Council (£800k per annum for three years), £12m from central government and a £40m bank loan. The bank would be at no risk to bad debt.

Key Issues

A proposal and related financial model was provided by the representatives of the Green New Deal to the Council in December 2011 to evaluate and carry out a financial appraisal. A similar proposal was also presented to DSD. In reviewing the proposal council officers met with Green New Deal representatives on numerous occasions and also with DSD officials at the end of the process.

Following the appraisal a number of key issues were raised around the overall structure and financing of the proposal. They were:

The potential for debt

The level of debt within the model was 4% and was viewed as being low given the economic environment we are currently experiencing. At present the figures provided by Land and Property Services has a default debt rate of 11%. At this rate there would be minimal recovery of the investment and nothing would be recovered before year 11. Essentially a significant proportion of DSD and Council money would be required to absorb the bad debt.

Target Group

The business model is not based on local market research and it is not clear who the scheme will be targeted at. There are a number of “warm homes” schemes aimed at households in receipt of benefits and vulnerable pensioners. At the other end of the scale those households who can afford to pay for energy improvements are unlikely to require a loan. This leaves households in the middle bracket who are not in receipt of benefits and cannot afford to pay directly for energy improvements. There has been no market testing of this group to determine take up rates. Figures have been quoted using the Kirklees project but this scheme involved giving grants to households and not loans. It was fully funded by government and energy providers.

Sustainability of the programme

From year 4 onwards there is additional funding required to make the GND proposal sustainable. This would need to be financed by DSD/DFP and councils. No details of how this is to be achieved have been provided to the council.

Running Costs and Associated Value for Money

The current proposal is based on the scheme being run by Green New Deal. No detail has been provided around the running costs or how these could be changed to allow for an improved VFM proposal.

Members should note that similar concerns were raised by DSD when we met them on 13th January 2012.

Resource Implications

None

Decision Required

Given the financial risk and potential reputational issues associated with the GND proposal it is recommended that at this stage Members do not proceed with the investment. Officers will continue to work with GND and DSD to develop a more feasible and sustainable scheme.

Key to Abbreviations

GND – Green New Deal
VFM – value for Money
LPS – Land and Property Services
DSD – Department for Social Development

Documents Attached

N/A