

REPORT TO: HOUSING COMMITTEE - 31 OCTOBER 2011

REPORT ON: LOCHEE COMMUNITY ENERGY SAVING (CESP)

REPORT BY: DIRECTOR OF HOUSING

REPORT NO: 466-2011

## 1. PURPOSE OF REPORT

1.1. The purpose of this report is to seek approval for 2 further Community Energy Savings Projects (CESPs) at Whorterbank and Lansdowne/Pitalpin multi-storey developments (MSDs); these are referred to together as the Lochee CESP. In management, content and funding these will be operated along similar lines to the Dallfield CESP currently on site at the 4 blocks making up the Dallfield MSD.

## 2. RECOMMENDATIONS

2.1. It is recommended that the Committee:

- i. agree the contents of this report;
- ii. agree to the funding by Scottish Gas of an additional staff resource for a period of 18 months and notes that the Director of Housing and Head of Personnel will progress this via the establishment change process;
- iii. authorise the Director of Housing to enter into an agreement with Scottish Gas to secure the project.

## 3. FINANCIAL IMPLICATIONS

3.1. The overall projects costs are as follows:

Cost to Council	£2,437,779
Scottish Gas CESP Contribution	£1,412,210
<b>Total Cost</b>	<b>£3,849,989</b>

A total allowance of £1.9m had been made for renewables within the HRA Capital Estimates for 2011/12 and 2012/13. However, the funding model arrived at for the installation of PV panels is 'rent a roof' which means the Council has no outlays. Therefore, the £1.9m can be re-directed to the Lochee CESP. The balance of funding will be allowed for in the forthcoming revision of the HRA 2012/13 Capital Estimates under new heating for Ancrum and Burnside Courts.

The CESP will also include new gas heating at 29 low-rise properties, split between the Lansdowne and Whorterbank areas at a saving of £100K to the Council.

The Scottish Gas contribution includes funding to provide a Tenant Liaison Officer for 18 months.

#### 4. **MAIN TEXT**

- 4.1.1. Over the past 18 months the Housing Department have been working closely with Scottish Gas to explore investment opportunities to make energy saving improvements for residents of the 4 MSD blocks of flats in Dallfield and to bring this stock up to the Scottish Housing Quality Standard (SHQS). This project has now started on site and there is the further opportunity for Scottish Gas to provide funding to cover other projects; this could cover provision of insulation and heating to the MSDs in Lochee. This would ensure that the blocks are modernised to SHQS standards and assist in delivering the Council's aims of eliminating fuel poverty and reducing carbon emissions. It would also meet the aspirations for tenants living in the blocks.
- 4.1.2. The blocks at Adamsons and Elders Courts are of a different construction and meet National Home Energy Efficiency ratings required for SHQS. The tenants in these blocks will benefit from internal improvements to their flats with new kitchens and bathrooms installed as required.
- 4.1.3. Achieving thermal standards required by SHQS in MSD blocks is difficult and costly primarily because it is not easy to achieve an adequate level of external insulation, nor is it feasible to provide homes that are warm and energy efficient using individual dwelling electric heating and hot water systems.
- 4.1.4. By upgrading the external insulation and render and installing a gas-powered district heating system CESP's provide a mechanism to achieve SHQS compliance, provide warm, comfortable homes for tenants and address fuel poverty.
- 4.1.5. District heating is a system that distributes heat generated from an energy centre via a network of insulated pipes into individual homes. The energy centre is a building which houses the gas-boilers which heat the water which is distributed to the individual flats via a network of pipes. It is the intention to provide individual energy-centres for each of the 2 locations in Lochee at Lansdowne and Whorterbank. Radiators just like the ones associated with a 'wet' central heating system are fitted in the flats together with individual heat-exchangers which take the place of boilers. District heating is a cost effective and realistic method for reducing carbon emissions.
- 4.1.6. The Council does not have the resources to install a new external insulation and render system along with a district heating system due to the high level of initial capital expenditure. However the Housing Department working with Scottish Gas has been able to access funding under the Community Energy Saving Programme (CESP) and this has allowed a much more extensive project to go ahead in Dallfield. By extending the partnership working with Scottish Gas and harnessing further CESP funding a similar scheme in Lochee at Lansdowne/Pitalpin Courts and at Ancrum/Burnside Courts can be delivered.

#### 4.2. **Options Appraisal**

- 4.2.1. An Options Appraisal has been completed. Each option needs to ensure that the Council's Strategic Priorities are addressed within Lochee, i.e. the multi storeys at Ancrum/Burnside and Lansdowne/Pitalpin Courts should meet the energy efficiency standards required by the SHQS and fuel poverty should be addressed and carbon emissions reduced.

- 4.2.2. Option 1 - Do nothing. This is not feasible. Cost - nil. This does not meet Council objectives. Blocks will fail to meet SHQS.
- 4.2.3. Option 2 - Invest in internal improvements only. The Council does not have resources to provide external insulation and render. The flats will continue to be expensive to heat making them less popular with tenants. This would not effectively address carbon emissions and fuel poverty issues. Cost - £1.600M. Does not meet Council objectives. Blocks will fail to meet SHQS.
- 4.2.4. Option 3 - Enter into a Partnership with Scottish Gas to deliver the CESP Scheme. the blocks will be upgraded with external insulation and render and will therefore meet SHQS for 2015. The quality of life for the residents would be enhanced. The blocks will become more popular for applicants and tenants. Carbon emissions and fuel poverty issues would be reduced assisting households in multiple deprivation. Cost - £3,849M, £2,437M met by DCC and £1,412M by Scottish Gas. Meets Council objectives. Blocks will meet required SHQS standards.
- 4.2.5. Option 4 - DCC undertake insulation and cladding work out with the CESP scheme. The Council would have to meet the costs of external insulation and render from its own resources. The Council has insufficient resources. Cost - £3.849M. Meets Council objectives. Blocks will meet SHQS standards.

#### Non Monetary Costs/Benefits - Impact Statement

Objectives	Option 1	Option 2	Option 3	Option 4
Ensure that the multi storey developments meet SHQS by 2015.	N	N	Y	Y
Reduce carbon emissions.	N	N	Y	Y
Improve the popularity of the multi-storey blocks enhancing letability.	N	Y	Y	Y
Meet tenant aspirations.	N	N	Y	Y
Enhance the quality of the environment and external appearance of the blocks.	N	N	Y	Y
Contribute to the regeneration within Lochee.	N	N	Y	Y
Maximise and harness external resources for investment in the blocks.	N	N	Y	N

Contribute to the alleviation of fuel poverty within an area of multiple deprivation.	N	N	Y	Y
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- 4.2.6. Option 3 is recommended since this meets Council Strategic Objectives and provides best value to the Council by harnessing the contribution from Scottish Gas provides best value to the HRA.

#### 4.3. **The Community Energy Saving Programme**

- 4.3.1. CESP has been created as part of the Government's Home Energy Saving Programme. It requires gas and electricity suppliers and electricity generators to deliver energy saving measures to domestic consumers in specific low income areas of Great Britain. CESP has been designed to promote a 'whole house' approach and to treat as many properties as possible in defined areas, in order to meet carbon emissions reduction targets.

- 4.3.2. CESP came into force on 1 September 2009 and has an obligation period that will run from 1 October 2009 to 31 December 2012.

- 4.3.3. There are strict qualifying criteria for CESP funding. To qualify for CESP, an area has to fall into the poorest 15% in the income domain as defined by the SIMD (Scottish Index of Multiple Deprivation). Under this definition, both Whorterbank and Lansdowne/Pitalpin MSDs and associated low-rise qualify for CESP. Qualification does not, however, mean that a CESP will be granted automatically as there is a bidding competition and utilities decide on which schemes they wish to embark on and which Councils they want to work with.

- 4.3.4. In October 2009, Scottish Gas agreed to work in partnership with Dundee City Council to compile and submit a proposal for CESP funding for the Dallfield project and Dundee was one of the first 2 CESP areas announced in Scotland. The extension of this funding to Lochee could have a significant benefit for the areas in question, just as it is having in Dallfield.

- 4.3.5. It will be noted that the proportion of overall costs Scottish Gas are contributing in Lochee is less than that in Dallfield. Scottish Gas obtain higher carbon credits if they are carrying out measures to a high proportion of stock in a given area - this is being achieved in Dallfield but in Lochee the work is spread over a much larger area and so covers a lower proportion of the stock.

#### 4.4. **Contract Format**

- 4.4.1. The project will be secured on the principles of a Design and Build Contract for use in Scotland. All permissions and approvals, including building regulation compliance, planning and building controls, will be the responsibility of Scottish Gas and will be incorporated into the contract.

The contract format meets with the approval of the Council's Support Services Department.

4.4.2. Scottish Gas propose to retain the services of their current sub-contractors in the interests of transferring knowledge and skills and securing continuity of employment. The main electrical and plumbing contractor is McGill Electrical Ltd. Opportunities for training and employment will be maximised.

4.5. **Project Timescale**

4.5.1. The programme would be planned to commence on site in late Autumn 2011 and run for 12-15 months thereafter, achieving completion by December 2012.

4.6. **Maintaining Standards**

4.6.1. The Housing Department Service Standards and our Contractors Code of Conduct will be incorporated in the contract.

4.6.2. Tenants will be entitled to all allowances afforded to them as part of the Tenants Allowance Policy (Tenants Allowances Update Report - March 2011).

4.6.3. Agreement has been reached and financial commitment made by Scottish Gas to finance the provision of Tenant Liaison Services to be delivered by the City Council's Housing Department for the period October 2011 to April 2013. This exceeds the on-site completion of physical measures to ensure effective liaison in dealing with defects, issuing decoration cards and provide heating demonstrations and advice continue for some time afterwards.

4.7. **Metering**

4.7.1. One of the things that the new scheme will incorporate is an arrangement whereby residents pay only for the heat they use via an internet-enabled metering arrangement. This will allow them to pay for their fuel via the internet, by phone, by direct debit or by calling into one of the designated Council offices which have a point-of-sale.

4.8. **Tenant Expectations**

4.8.1. Existing and new tenants of the Whorterbank and Lansdowne/Pitalpin MSDs can expect a real transformation to their blocks over the coming years. The partnership with Scottish Gas will result in a substantial investment that will keep their flats warmer, reduce heat loss through the walls and give the blocks a whole new appearance. The proposed district heating system will make a real difference to tenants by making their homes more energy efficient and more comfortable to live in with dramatically lower heating bills, estimated to be up to 30-40% lower. Tenants can also look forward to modern kitchens and bathrooms being installed.

4.8.2. There is an ongoing dialogue and consultation with residents in both areas about local management initiatives and housing support packages to those who want them, in order to prevent antisocial behaviour and restore residents' confidence in the area. There will also be an ongoing role for the Service Improvement Team on MSDs.

4.8.3. Similar to the consultation for Dallfield, there will be a Community Open Day arranged for residents and held in a community facility easily accessible to all.

This will give them the opportunity to find out more about the proposed work in the area and the benefits of making their homes more energy efficient. There will be opportunities to seek advice from a number of other agencies including the Scottish Gas CESP Team, Dundee City Council, Scottish Gas Home Energy Care, Citizens Advice Bureau and local residents groups.

#### 4.9. **Community Legacy**

- 4.9.1. As well as the extensive physical refurbishment and increased energy performance of the dwellings and the accompanying initiatives to combat antisocial behaviour, this project will leave a further community legacy. Scottish Gas will provide a community 'pot' of £40,000 for allocation by the community.
- 4.9.2. Housing Officers will meet with the Residents' Group and the community to work up proposals for one or more initiatives that will benefit the community in the local areas. These projects can be anything the residents choose - additional security, a children's play area and equipment, a garden with seating, a piece (or pieces) of community art - anything which they feel can be of benefit to the area.
- 4.9.3. In addition, Scottish Gas will provide solar PV (photovoltaic) panels at local primary schools. The PV panels (worth between £20,000 and £40,000) will be installed free of charge and allow the schools to generate green energy at no cost, cutting as much as 20% (£400) off their annual fuel bill and saving 3.5 tonnes of CO<sup>2</sup> a year. As well as the environmental and economic benefits, these panels will be useful educational tools as output display modules will also be provided which show the panels' activity and Scottish Gas will release new lesson resources to assist teachers with explaining the solar panels to pupils.

### 5. **POLICY IMPLICATIONS**

- 5.1. This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.
- 5.2. An Equality Impact Assessment has been carried out and will be made available on the Council's website: <http://www.dundee.gov.uk/equanddiv/equipact/>

### 6. **CONSULTATIONS**

- 6.1. The Chief Executive, Depute Chief Executive (Support Services), Director of Finance and all other Chief Officers have been consulted in the preparation of this report. No concerns were expressed.

### 7. **BACKGROUND PAPERS**

- Five Year Housing Capital Budget from 2011/12 to 2015/16 Revision (ref 19-2011 - January 2011).
- Tenants Allowances Update Report (ref 48-2011 - March 2011).
- Equality Impact Assessment (24 September 2010).

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