



**SevernWye**  
ENERGY AGENCY

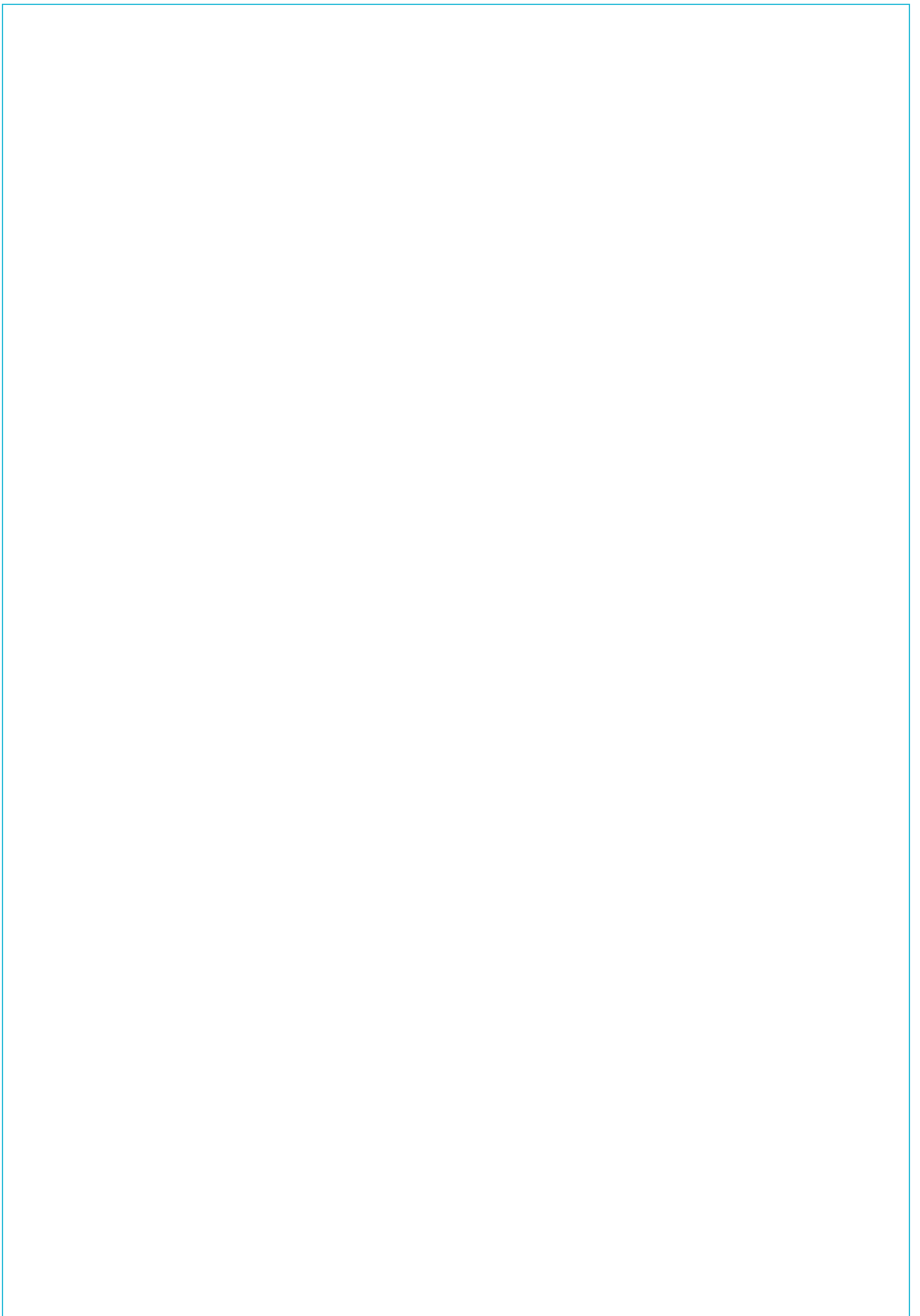
# **Financial and Support Instruments for Fuel Poverty in Social Housing (FinSH)**

## **D 2.1 Existing Financial Products Review - UK**

**September 2008**

(updated March 2009 and March 2010)

# Report



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# **1. Introduction**

## **Financial Products Review – UK**

There are some differences in the way things are structured in England, Wales, Scotland and Northern Ireland because of the devolved administrations therefore, England and Wales are primarily covered in this review.

Social housing is mainly provided by local authority landlords and Registered Social Landlords (RSLs). Most RSLs are housing associations, but there are also trusts, co-operatives and companies. There are some differences in the ways that RSLs and local authorities are able to raise finance for improvements, including sustainable energy.

A significant proportion of council housing stock has been transferred to the housing association sector in recent years. A feature of housing associations is that, although the larger ones usually have paid staff, a committee or board of management made up of volunteers has overall responsibility for the work of the organisation. A board might include tenants, representatives from local authorities and community groups, business people and politicians.

### **1.1 Existing finance mechanisms**

There is no fund that specialises in the precise target market of sustainable energy retrofit in social housing, but several finance options have been identified in the following categories:

- funding for social housing renovation that can include sustainable energy
- funding for sustainable energy that can include social housing

The main finance mechanisms in each category are:

### **1.2 Funding for social housing renovation that can include sustainable energy**

National and regional government funding for local authority housing is provided through via various mechanisms including:

- Single Regional Housing Pot (England)
- Neighbourhood Renewal Fund (England)
- Use of Area Based Grant to support targets agreed under Local Area Agreements (in support of National Performance Indicator 187) (England)
- General Capital Funding (Wales)
- Specific Capital Grant (Renewal Areas) (Wales)
- Major Repairs Allowance (Wales)

Similarly, national and regional government funding for Registered Social Landlord housing is provided through various mechanisms including:

- National Affordable Housing Programme (England) / Social Housing Grant (Wales)
- Single Regeneration Budget (Single Programme) (England)
- Single Regional Housing Pot – (England)

Local authorities and RSLs can in theory finance improvements, including sustainable energy ones, through rent revenues and capital receipts from sale of properties. In reality sale of stock is of course limited and the potential for rent revenue available for investment is limited by allowable (and affordable) rent increases. There is also competition for available funds with other modernisation and improvement needs, particularly for older housing stock.

RSLs (but not local authorities) can raise loans from private sources, using the asset value of the stock as security. In fact all RSLs are required to match their Social Housing Grant with private borrowing. For local authorities, this is possible through the 'private finance initiative' (PFI) requiring specific approval, and this may be applicable to sustainable energy measures, particularly if they are part of a major refurbishment programme.

Another mechanism is using bulk procurement processes to achieve discounted and quality controlled goods or services – possibly together with other social housing providers. This may be done through a managing agent, and sometimes in partnership with specific installers.

### ***1.3 Funding for sustainable energy that can include social housing***

The CERT programme (Carbon Emission Reduction Target) is a four year programme under which electricity and gas suppliers to the domestic market are obliged to achieve carbon saving targets. It applies to all housing, but has specific targets for 'priority' customers who are defined as certain categories of lower income households. Social housing is an important target group for this programme – however as suppliers have to finance the measures themselves they focus upon the most cost effective measures, which have in most cases been applied already in social housing through earlier programmes.

At the time of this document update (March 2010), the CERT fund is being reviewed by government with a view to extend the current framework from April 2011 to December 2012 by increasing the focus of CERT on those vulnerable, lower income households who are more likely to be in fuel poverty by adding in a new 'Super Priority' group and increase the scale of insulation delivery by reducing the focus on other cheaper measures such as low-e lighting.

The Low Carbon Buildings Programme is a government fund which started in April 08 and is due to close at the end of March 2011. For public sector buildings, this includes social housing as well as schools, hospitals etc, there is still opportunities to apply for grants however, with the launch of Feed in Tariffs (FITs) in April 2010 for electricity generation (solar photovoltaic's and wind turbines) and the proposed 'Renewable Heat Incentive' (RHI) in April 2011 for heat generation (solar thermal hot water, heat pumps and wood fuel) therein lies a fantastic opportunity for all social housing providers.

The HEES (Home Energy Efficiency Scheme) Wales social housing fund is an energy poverty programme, which covers only the main most cost-effective measures such as insulation and heating. As resources are limited, this fund may in future be available only for the private sector.

An ESCO could be established for sustainable energy in social housing, for example to sell energy and use the proceeds to fund energy efficiency measures (in effect this is what UK energy suppliers to the domestic market do through the CERT scheme, described above) or to generate and sell heat and power through a co-generation plant.

The National Parks Sustainable Development Fund (available to the 13 national parks in England and Wales) could be used for capital grants for small groups of social housing, however following our research there is no evidence that this has happened yet. Grant awards tend to be quite small (up to £15,000) so this fund has limited relevance.

There are also some charitable trusts of relevance, such as the Scottish Power Energy Peoples' Trust, which funds schemes to reduce energy poverty, by up to £100,000 per project.

Some energy suppliers have Green Tariff Funds, to which local community groups and non-profit organisations can apply for funding towards the cost of renewable energy installations – these do not appear to have been used for social housing, and the funds are probably too small to be of high relevance (average award only £10,000).

The National Lottery programmes often have a sustainability and/or community theme, but none as yet have been identified as suitable for housing association or local authority social housing – although smaller charitable housing trusts may be eligible.

## **2. Information sources**

The majority of information sources can be found in the 'Appendix' starting on page 5 of this document however the most relevant websites with grant funding opportunities are:

Carbon Emissions Reduction Target (CERT)

<http://www.defra.gov.uk/environment/climatechange/uk/household/supplier/index.htm>

Low Carbon Buildings Programme Phase 2 (LCBP2)

<http://www.lowcarbonbuildingsphase2.org.uk/>

Home Energy Efficiency Scheme (HEES) Wales Social Housing Fund

<http://www.heeswales.co.uk/>

The National Parks 'Sustainable Development Fund'

<http://www.nationalparks.gov.uk/livingin/sustainable-development.htm>

Energy Peoples Trust

<http://www.energypeopletrust.co.uk/index.html>

Green Tariff Fund

<http://www.scottishpowergreentrust.co.uk/content/>

The National Lottery (The Big Lottery Fund)

<http://www.lotteryfunding.org.uk/>

### **3. Conclusions**

National as well as local programmes support, in the main, the installation of the most cost-effective energy efficiency measures, where the capital costs are low enough and the returns in energy saving high enough to provide a relatively quick 'payback' on the investment. This applies to social housing as well as the rest of the housing market.

The range of programmes detailed offer sufficient opportunities to ensure at least that all cavity walls and lofts in social housing in England and Wales are insulated. Many programmes also offer assistance with making heating systems more efficient through improving timing and thermostatic controls and replacing boilers with more efficient ones. Draught-proofing and low energy lighting are also covered in many cases although not comprehensively.

There are however barriers to financing the less cost-effective energy efficiency and micro-generation measures. This is a problem because the measures generally considered to be cost-effective are insufficient to reach the 60% target or to achieve affordable warmth in lower income homes. This includes solid wall insulation (around a third of the UK housing stock has solid walls, with no cavity), insulation of ceilings with no loft above (attic), solar hot water, and household scale renewable energy generation – although new proposals under CERT, FITs and RHI may help address this somewhat.

## 4. Appendix: Details of funding mechanisms

### *Funding for social housing renovation that can include sustainable energy*

<b>Name of financial product</b> National and regional government funding for local authority housing via various mechanisms including: <ul style="list-style-type: none"><li>• Single Regional Housing Pot (England)</li><li>• Neighbourhood Renewal Fund (England)</li><li>• Use of Area Based Grant to support targets agreed under Local Area Agreements (in support of National Performance Indicator 187) (England)</li><li>• General Capital Funding (Wales)</li><li>• Specific Capital Grant (Renewal Areas) (Wales)</li><li>• Major Repairs Allowance (Wales)</li></ul>
<b>Finance provider</b> National and regional government
<b>Target group</b> Local Authority Social Housing
<b>Funding mechanism</b> Various mechanisms are used and these are often being changed.  Single Regeneration Housing Pot (England) is used to supplement rent revenue for funding of improvements. Through the recommendations made by each Regional Housing Board (nine plus the lord mayor's office in London) it provides an annual allocation of credit approval based on an assessment each authorities housing needs and strategy. Money can be borrowed and the cost of this may attract subsidy for housing capital investment in new social housing, low cost home ownership products and improvements to existing stock (both social housing and housing occupied by vulnerable people).  Established in 2001, the Neighbourhood Renewal Fund (NRF) is a non ring-fenced grant available to help England's 86 most deprived local authority districts, in collaboration with their local strategic partnerships, to improve services and quality of life. Area-based regeneration programmes which focuses resources on the most deprived communities and attempts a holistic approach including housing and jobs. From 2007, the NRF began to operate in the context of 'Local Area Agreements'.  Local Area Agreements are joint strategic planning processes applicable throughout England, which agree primary targets within the framework of a set of National Performance Indicators (of which there are currently 199 in total), and are able to focus the Area Based grant from government on achieving these targets. The Indicators include one NI 187 'Tackling fuel poverty – % of people receiving income based benefits living in homes with a low energy efficiency rating' and others more general such as NI 186 'Per capita reduction in CO <sub>2</sub> emissions in the LA area' and NI 188 'Planning to Adapt to Climate Change'.  General Capital Funding (Wales) is administered by the regional government and is

assessed by each local authority based on housing needs and local strategy which is un-hypothecated therefore available to all housing departments whether 'Private' or 'Public' sector.

Specific Capital Grant (Renewal Areas) (Wales) is applied for by each Local Authority for activity in declared renewal areas. Renewal Areas generally have a ten year life with ongoing commitments over that period in both public and private sectors.

Major Repairs Allowance (Wales) is a capital grant to local authorities and forms part of their overall housing capital resources. It may be used for any capital expenditure on Housing Revenue Account assets.

### **Volume of activity**

Single Regeneration Housing Pot: Following the recommendations to Ministers from each Regional Housing Board for years 2008-11 £10.4 billion has been allocated by Communities and Local Government for regional housing capital programmes.

The government announced, as part of the 2004 Spending Review (SR04) that just over £1 billion of new Neighbourhood Renewal Fund resources would be made available during the period 2006-2008 (£525 million for 2006/07 and £525 million for 2007/08). From 2007, the NRF began to operate in the context of 'Local Area Agreements'.

Interestingly only 10 local areas across the 9 designated regions of England through their Local Area Agreements have agreed to use all three NI's (186-8) with 17 local areas using none of the three. Within the region of London 11 out of 30 local areas are using none of the NI's whilst only one (Richmond-upon-Thames) are using all three. On average most local areas are choosing at least two of the three NI's.

The General Capital Funding budget allocated to Housing 2007-08 was £86.342 million from an overall settlement with all 22 Welsh local authorities of £648, 247 million.

Specific Capital Grant (Renewal Areas) (Wales) - There are currently 56 renewal areas in Wales. Of these, 21 have now been completed, 35 are active with more new renewal areas in the pipeline. Renewal areas are funded from a variety of sources, including local authorities General Capital Funding (GCF) and other public and private sector resources. In addition the Assembly currently allocates around £26 million a year specifically for renewal areas.

The Major Repairs Allowance settlement from the Welsh Assembly Government for 2007-08 was 104 million across the whole of Wales.

### **Opportunities/successes**

The Single Regeneration Housing Pot plays a vital role for funding following the assessment of an authorities housing needs and strategy.

From 2007, the NRF began to operate in the context of 'Local Area Agreements'.

Local Area Agreements: It is down to each local area to decide on its own priorities through the local authority and Local Strategic Partnership in consultation with central government. It is a little too early to report on any successes.

All local authorities who still own their own housing will use the General Capital Fund as their main source and use it to attract match funding from a secondary source.

Specific Capital Grant (Renewal Areas) (Wales) - Specific Capital Grant is made available towards the capital costs of activities in renewal areas e.g. group/block/strategic renovation, grants, adaptations, empty properties, environmental works, HMO improvements, community facilities etc. The funding is primarily for 'private sector' housing but some renewal areas do contain social housing. How the improvements to this tenure are made and funded are matters for the local authority to determine.

### **Barriers/problems**

If an authority has not identified a 'need' through their assessments then that local authority area will not be eligible for funding through the Single Regeneration Housing Pot.

From 2007, the NRF began to operate in the context of 'Local Area Agreements'.

If the Local Area Agreement has excluded these NI's then the 'partnership' for this area will not be eligible for funding as their priorities have been agreed elsewhere.

The General Capital Funding budget is un-hypothecated and therefore the housing directorates are in direct competition with other services.

Specific Capital Grant (Renewal Areas) (Wales) – this funding is limited to relatively small amounts and is available via a bid process in direct competition with other local authorities. Each declared renewal area is expected to receive 10-years support therefore it is a large commitment from all partners in both time and money.

### **Further Information**

Single Regeneration Housing Pot:

<http://www.communities.gov.uk/housing/strategiesandreviews/regionalhousingstrategies/>

& <http://www.communities.gov.uk/documents/housing/pdf/156501.pdf>

Neighbourhood Renewal Fund:

<http://www.neighbourhood.gov.uk/default.asp>

Local Area Agreements:

<http://www.communities.gov.uk/localgovernment/performanceframeworkpartnerships/localareaagreements/>

General Capital Funding:

<http://wales.gov.uk/topics/localgovernment/finandfunding/settlement/?lang=en>

Specific Capital Grant (Renewal Areas) (Wales):

<http://new.wales.gov.uk/topics/housingandcommunity/housing/publications/capitalgrant0910/?lang=en>

Major Repair Allowance:

<http://new.wales.gov.uk/topics/housingandcommunity/housing/social/management/majorrepairs/?lang=en>

**Name of financial product**

National and regional government funding for Registered Social Landlord housing via various mechanisms including:

- National Affordable Housing Programme (England) / Social Housing Grant (Wales)
- Single Regeneration Budget (Single Programme) (England)
- Single Regional Housing Pot – (England)

**Finance provider**

National and regional government

**Target group**

Registered Social Landlord housing

**Funding mechanism**

The Housing Corporation (England) and the Welsh Assembly Government (Wales) distributes funds for social housing development and improvements, via annual submissions from local authorities, including allocations for RSLs in their territory.

The National Affordable Housing Programme (NAHP) (England) and Social Housing Grant (SHG) (Wales) is awarded through a competitive bidding process which is assessed on an ability to meet housing need, achieve affordable rents and provide value for money. They can be used to provide either housing for rent or low cost home ownership through new build developments or through the use of existing dwellings. In England it is administered by the Housing Corporation and in Wales by the Welsh Assembly Government.

Single Regeneration Budget (SRB) provides resources to support regeneration initiatives in England carried out by local regeneration partnerships. Its priority is to enhance the quality of life of local people in areas of need by reducing the gap between deprived and other areas, and between different groups. Applications are administered through each Regional Development Agency (RDA) and have included the opportunity to “promote sustainable regeneration, improving and protecting the environment and infrastructure, including housing”, although all schemes must also include the four key objectives i.e. (a) tackling worklessness; (b) reducing crime; (c) improving health; and (d) raising educational achievements. Qualification process is complex for example Housing Associations are expected to use NAHP as a principle source for funding. Further detailed information on qualification process and funding mechanism can be seen in this document in *Annex 4F: SRB Support for Housing Association Projects* (PDF File)

<http://www.communities.gov.uk/documents/citiesandregions/pdf/155349.pdf>

From 2005 onwards the Single Regeneration Budget is now subsumed into the Regional Development Agencies ‘Single Programme’ which is managed by nine Regional Development Agencies across England.

Single Regional Housing Pot – (England) – SEE SECTION ON Local Authority Housing

**Volume of activity**

In England the NAHP which ran from 2006-08 was worth £3.9 billion to create 84,000 new affordable homes however, for 2008-11 this figure more than doubled to £8.4 billion. In Wales the SHG current programme running from 2006-08 and 2008-09 is

worth £72.4 million

Under rounds 1-6 of the Single Regeneration Budget 1027 bids were approved, worth over £5.7 billion in support over their lifetime of up to 7 years. It was estimated that this attracted almost £8.6 billion of private sector investment and help to attract European funding. The SRB was estimated to involve over £23 billion from all sources of funding. For 2007-08 the 'Single Programme' budget managed by the Regional Development Agencies is £2.28 billion and for £2008-09 is £2.22 billion.

Single Regional Housing Pot – (England) – SEE SECTION ON Local Authority Housing

**Opportunities/successes**

The NAHP (England) and SHG (Wales) are the standard forms of grants for the development or redevelopment of social housing.

Our research has so found that there is no evidence that the Single Regeneration Budget (Single Programme) is a tapped resource for retro for sustainable energy measures.

Single Regional Housing Pot – (England) – SEE SECTION ON Local Authority Housing

**Barriers/problems**

The NAHP (England) and SHG (Wales) is awarded through a competitive bidding process which is assessed on an ability to meet housing need, achieve affordable rents and provide value for money.

Housing Associations are expected to use NAHP as a principle source for funding before the Single Regeneration Budget (Single Programme).

Single Regional Housing Pot – (England) – SEE SECTION ON Local Authority Housing

**Further Information**

NAHP (England): <http://www.housingcorp.gov.uk/server/show/nav.446>

Also see eligible works guide:

[http://www.housingcorp.gov.uk/upload/pdf/REPAIR\\_20060704113503.pdf](http://www.housingcorp.gov.uk/upload/pdf/REPAIR_20060704113503.pdf)

SHG (Wales):

<http://new.wales.gov.uk/topics/housingandcommunity/grants/socialhousinggrant/?lang=en>

SRB (England): <http://www.communities.gov.uk/archived/general-content/citiesandregions/singleregenerationbudget-931513/> and 'Single Programme'

<http://www.berr.gov.uk/regional/regional-dev-agencies/funding-financial-gov/page20136.html>

Single Regional Housing Pot – (England) – SEE SECTION ON Local Authority Housing

**Name of financial product**

Self financing through:

- Rent revenue
- Capital receipts

**Finance provider**

NA

<b>Target group</b>	Local Authority and Registered Social Landlord
<b>Funding mechanism</b>	Self financing through the receipt of tenants rent. Capital receipts through the sale of local authority housing.
<b>Volume of activity</b>	This is an activity undertaken by every social landlord as part of their core business.
<b>Opportunities/successes</b>	Social landlords (and most likely RSL's) with newer stock are more likely to have 'spare' funding available for sustainable energy measures as they will not have large maintenance programmes for modernisation to meet government targets for Decent Homes Standard (England) and the Welsh Quality Housing Standard (Wales).
<b>Barriers/problems</b>	The potential for rent revenue available for investment for an RSL's stock is limited by rent convergence as they are not able to impose large rent rises. The majority of this funding in older housing is therefore used for major repairs as part of any planned maintenance programme.
<b>Further Information</b>	<a href="http://www.communities.gov.uk/publications/housing/poolinghousing">http://www.communities.gov.uk/publications/housing/poolinghousing</a>

<b>Name of financial product</b>	Private Finance Initiative
<b>Finance provider</b>	Private Sector
<b>Target group</b>	Public Sector including local authorities.
<b>Funding mechanism</b>	A Project Review Group oversees the approval process for local authority PFI projects that receive Government support. It is the gatekeeper for the delivery of PFI credit funding to the local authority PFI programme.
<b>Volume of activity</b>	£610 million per annum for 2008/09, 09/10 and 10/11 for housing PFI in England
<b>Opportunities/successes</b>	Nothing to date however it is understood that Woking Borough Council is working on a bid.
<b>Barriers/problems</b>	PFI is only used where it can deliver efficiency, equity and accountability providing clear value for money without sacrificing the terms and conditions of staff.  It is likely that a successful application would require any sustainable energy measures to form part of a bigger refurbishment programme and would unlikely be accepted on its own.
<b>Further Information</b>	England: <a href="http://www.hm-treasury.gov.uk/ppp_index.htm">http://www.hm-treasury.gov.uk/ppp_index.htm</a> & <a href="http://www.pppbulletin.com/">http://www.pppbulletin.com/</a> Wales: <a href="http://new.wales.gov.uk/about/finance/privatefinanceinformation/?lang=en">http://new.wales.gov.uk/about/finance/privatefinanceinformation/?lang=en</a>

<b>Name of financial product</b>	Raising loans from private sources
<b>Finance provider</b>	Private sector
<b>Target group</b>	Housing Associations and Housing companies can do this, but not local authorities
<b>Funding mechanism</b>	Loans from private financiers with the asset value of the housing stock itself as security
<b>Volume of activity</b>	All RSL's are required to match the Social Housing Grant (SHG) with private borrowing
<b>Opportunities/successes</b>	N/A
<b>Barriers/problems</b>	N/A
<b>Further Information</b>	N/A

<b>Name of financial product</b>	Procurement through the acquisition of goods and/or services possibly through a tendered process.  Discount Schemes in partnership with directly through installers or a managing agent to finance bulk goods and/or services which could include referral fees.
<b>Finance provider</b>	Various
<b>Target group</b>	Housing Associations, housing companies and local authorities
<b>Funding mechanism</b>	Various
<b>Volume of activity</b>	The list is extensive however examples of national procured schemes include:  'Procurementforhousing: Central Heating Deal' – which includes solar hot water heating.  'Global to Local' (Eastern Shires Purchasing Organisation) – Renewable energy technologies and energy efficiency.  Warm Wales – Heating and energy efficiency mostly funded through CERT and HEES although charitable or utility 'crisis' funding is sort when appropriate.  Carbon Reduction One Stop Shop (CROSS) – managed by 'enact' this agency offers LA/RSL insulation projects on an auction basis to all energy retailers who are subject to CERT with an optional full project management service. This is just one route and not all Energy retailers are part of it. The alternative is to appraoch the six CERT providers directly. Need to ensure that schemes such as CROSS satisfy local authority

procurement rules.
<p><b>Opportunities/successes</b></p> <p>High levels of quality control - the responsibility of which is passed over if a managing agent is used.</p> <p>Referral fees could be used to finance continued management and promotion of any discount scheme or reinvested in other technologies.</p>
<p><b>Barriers/problems</b></p> <p>The use of a managing agent would probably exclude the opportunity for referral fees as these would be lost to the agent.</p>
<p><b>Further Information</b></p> <p><a href="http://www.procurementforhousing.co.uk/">http://www.procurementforhousing.co.uk/</a>  <a href="http://www.globaltolocal.com/index.php">http://www.globaltolocal.com/index.php</a>  <a href="http://www.warmwales.org.uk/">http://www.warmwales.org.uk/</a>  <a href="http://www.funding.org.uk/">http://www.funding.org.uk/</a></p>

### ***Funding for sustainable energy that can include social housing***

<p><b>Name of financial product</b></p> <p>Carbon Emissions Reduction Target (CERT)  This replaces a previous similar programme known as the 'Energy Efficiency Commitment (EEC)' (2002-5 and 2005-8 phases).</p>
<p><b>Finance provider</b></p> <p>Electricity and gas suppliers to the UK domestic market</p>
<p><b>Target group</b></p> <p>The existing UK housing stock. There is a specific focus on low income and older consumers through an obligation to achieve a high proportion (40%) of savings with the 'priority group' defined by receipt of specific welfare benefits or being over 70 years of age. A high proportion of social housing residents will fall within this priority group  Can be used for new build provided the measures are outside the requirements of Building Regulations.</p>
<p><b>Funding mechanism</b></p> <p>Electricity and gas suppliers to the UK domestic market are obliged by government to achieve carbon emission reduction targets. These targets are achieved through a range of programmes established and financed by the suppliers themselves, either alone or in partnership with local authorities, retailers, advice agencies and social housing providers, or householders making a contribution.</p>
<p><b>Volume of activity</b></p> <p>The total target for 2008-11 is 42 million tonnes carbon. The specific activities will be determined by the suppliers themselves, within a framework produced by DEFRA allocating agreed savings to different measures. The level of funding suppliers give to each of these measures is based on achieving carbon savings – so that in effect a higher percentage of funding is given to the most cost-effective measures. In the UK these are currently cavity wall, loft and hot water tank insulation, compact fluorescent lamps, and appliances It also includes the switching of consumers to lower carbon based fuels as the source of their space heating. There is scope for external wall</p>

insulation, and renewable technologies. In these cases the percentage of funding would be lower meaning that the body in receipt of the measure would have to fund a much higher percentage of the cost. Suppliers receive an uplift to savings for some of the new measures to include innovation within CERT. From April 2011 to December 2012 the UK Government are looking to extend the existing programme with changes to the main focus group (a new Super Priority' group) and more emphasis on insulation.

**Opportunities/successes**

Previous programmes have achieved significant carbon savings, and this new one builds on these successes and effectively doubles the target. It engages fuel suppliers directly in carbon saving as well as supply, and may ultimately be instrumental in shifting the business model for these companies to a more energy services based one. It has engaged many suppliers in partnerships across sectors, and added a new dimension to role in relation to social exclusion/poverty for these relatively powerful private companies.

**Barriers/problems**

Market penetration of the other technologies needed to achieve lower carbon targets will only be achieved in the medium to longer term – probably in the post CERT 2011 onwards scheme.

There are conditions linking CERT to other funding e.g. Warmfront and Low Carbon Buildings Programme to avoid the double claiming of savings.

**Further Information**

<http://www.defra.gov.uk/environment/climatechange/uk/household/supplier/index.htm>

**Name of financial product**

Low Carbon Buildings Programme Phase 2 (LCBP2)

This replaces two previous similar programmes known as 'Clear Skies' and 'PV Major Demonstration Programme' (MDP)

The current scheme started 1st April 08 and closed in June 2009 with exception to charitable organisations, community groups and the public sector where there is still funding available until the end of March 2011.

**Finance provider**

Department of Energy & Climate Change (DECC)

**Target group**

Grants for the installation of microgeneration technologies are available to public sector buildings (including schools, hospitals, housing associations and local authorities) and charitable bodies.

**Funding mechanism**

Applications are assessed against set criteria which are mainly the type of organisation, use of framework suppliers and the scheme meeting a prescribed output of £/tonne CO2 against a set of benchmark figures.

**Volume of activity**

Funds within the UK element of the fund will total £400 million during the period 2008/09 and Phase 3 during 2010/11.

Grants of up to 50% of total project costs for the supply and installation of any

combination of the following technologies and the amounts in £'s available are:

- Solar thermal hot water
- Ground source heat pumps
- Automated wood pellet stoves & wood fuelled boiler systems

For electrical microgeneration technologies (PV and wind) this grant closed in February 2010 where 'Feed in Tariffs' (FITs) will come on line from April 2010.

An applicant can receive up to a maximum £200K of funding per site with an upper limit of 300KW for heat technologies.

**Opportunities/successes**

The fund aims to accelerate the commercialisation of low carbon energy and energy efficiency technologies in the UK. In doing so, it will help reduce the carbon intensity of energy production as well as reduce energy demand. The fund specifically focus' on the demonstration and deployment phases of bringing low carbon technologies to market.

Part of the qualification process requires that buildings need to meet the building regulations applicable at the time of construction or major refurbishment. There are no additional energy efficiency criteria within the application process of Phase 2, but it is strongly encourage prospective applicants to ensure they have also taken energy efficiency measures as this will ensure a more effective microgeneration installation.

**Barriers/problems**

The applicant is not entitled to apply for or receive a grant if the applicant has already received or expects to receive any other funding from the national government or devolved administrations in relation to the proposed technology and/or its installation at the property. Applicants may however receive funding from other public sources (including BIG Lottery and local government) and funding is available from LCBP2 for new technologies, even if other technologies have previously been grant aided at the same property.

The maximum grant award is 50% of capital costs alone. An applicant will have to fund feasibility (including planning costs) at their own expense/risk.

**Further Information**

<http://www.lowcarbonbuildingsphase2.org.uk/>

**Name of financial product**

Feed in Tariffs (FITs )

**Finance provider**

Electricity and gas suppliers to the UK domestic market

**Target group**

Public and private sector housing, community buildings

**Funding mechanism**

Finance paid directly to the owner of the technology from the energy supplier

The government published the final feed-in tariff rates in February 2010:

Solar PV new build (< 4 kW)	36.1p
Solar PV retrofit (< 4 kW)	41.3p
Solar PV retrofit (4—10kW)	36.1p
Wind turbine (1.5—15 kW)	26.7p
Wind turbine (15—100 kW)	24.1p
Hydro (< 15 kW)	19.9p
Micro CHP pilot (< 2 kW)	10.0p

Rates are paid for all generation, including power you use yourself; in addition, a 3p/kWh export bonus applies for units spilled to the grid

#### **Volume of activity**

Due to go live on the 1<sup>st</sup> of April 2010

#### **Opportunities/successes**

All renewable electricity systems (e.g. solar PV panels or small wind turbines) installed since 15 July 2009 are eligible for premium payments for all power generated payments are index-linked and guaranteed for 20 or 25 years in most cases, depending on technology and tariffs for renewable heat via the Renewable Heat Incentive (RHI) will follow in April 2011.

#### **Barriers/problems**

Any technologies installed before the 15<sup>th</sup> of July 2009 funded by a public body will not be eligible for the FITs unless the grant funding is repaid in full. The installer and technology installed must be accredited through the Microgeneration Certification Scheme

#### **Further Information**

Contact DECC Renewable Financial Incentive team at [rfi@decc.gsi.gov.uk](mailto:rfi@decc.gsi.gov.uk)  
[http://www.lowcarbonbuildingsphase2.org.uk/filelibrary/LCBP2E/LCBP2E\\_FAQ\\_el\\_aps\\_FITS\\_new.pdf](http://www.lowcarbonbuildingsphase2.org.uk/filelibrary/LCBP2E/LCBP2E_FAQ_el_aps_FITS_new.pdf)  
<http://www.microgenerationcertification.org/>

#### **Name of financial product**

Bio-energy Capital Grants Scheme

#### **Finance provider**

Department of Energy & Climate Change (DECC)

#### **Target group**

Industrial, commercial and community sectors including public and private limited companies (Ltd and plc), sole traders, farmers, local authorities, hospitals, universities, schools, housing associations, charities etc.

#### **Funding mechanism**

The scheme supports the installation of biomass-fuelled heat, combined heat and power, and anaerobic digestion projects in the industrial, commercial and community sectors in England.

The fifth round of the scheme is closed for new applications. Subject to funds being available, DECC hopes to run a sixth application round in November 2010. Further details are to be announced on the web-site.

#### **Volume of activity**

The scheme provides capital grants to support the installation of biomass-fuelled heat boilers and biomass-fuelled combined heat and power (CHP) equipment, including anaerobic digesters for heat-only or CHP.

There is no minimum grant aid in any one application and the maximum is £500,000 per installation

**Opportunities/successes**

40% grant offers a great opportunity for a LA or RSL to install a biomass or CHP heating system.

**Barriers/problems**

Limited number of opportunities to apply due to being based on a 'round' basis. It is only available in England however in Wales the Forestry Commission Wales have developed the Wood Energy Business Scheme (WEBS II) which is intended to include support for the installation of wood-fuelled heating and combined heat and power.

Further details are available at:

<http://www.forestry.gov.uk/website/forestry.nsf/byunique/inf-d-7njg2e>

**Further Information**

<http://www.lowcarbonbuildingsphase2.org.uk/page.jsp?id=29>

<http://www.bioenergycapitalgrants.org.uk/>

**Name of financial product**

Home Energy Efficiency Scheme (HEES) Wales Social Housing Fund

**Finance provider**

The Welsh Assembly Government (WAG)

**Target group**

Local Authority and Housing Associations.

**Funding mechanism**

Annual closed bid application process.

**Volume of activity**

For 2007 / 08 the total fund available was £750K match funding for existing programmed work in social housing, however, for 08/09 WAG have yet to decide on how much, if anything, will be made available.

**Opportunities/successes**

A targeted scheme which seeks to identify and alleviate existing (and future) tenants out of fuel poverty with a simple one bid application process.

**Barriers/problems**

This funding cannot be matched with other types of funding such as CERT.

There is a limited number of the 'types' of measures available through the scheme which in the main have already been done leaving this programme unsuitable for 'hard to treat' properties.

Due to the general oversubscription of available funding in 06/07, in subsequent years, the limited resources may be switched over and made available to the private

sector only.

Only available in Wales i.e. the equivalent programme in England called 'Warm Front' is only available in the private sector.

**Further Information**

<http://www.heeswales.co.uk/>

**Name of financial product**

The National Parks 'Sustainable Development Fund'

**Finance provider**

In England (DEFRA) and Wales (Welsh Assembly Government) this fund is administered by 13 regional national park authorities – 10 in England and 3 in Wales.

**Target group**

Applications can be made by individuals, businesses and community groups, in the public, private or voluntary sector.

**Funding mechanism**

Projects receive money from the Sustainable Development Fund, up to 75% of their total cost in England and up to 50% in Wales. Successful applications need to demonstrate the following:

- Environmental, social and economic sustainability
- Conservation and understanding of the National Park
- Explore 'models' or 'best practice' for sustainable living through innovative ideas
- Creates new partnerships that have no access to alternative public funding
- Support or involvement of local communities
- Involve action by young people
- Encourage links with urban groups and visitors

Each project is assessed on its own merit by a grants advisory panel with expertise in the environment, culture, agriculture, tourism, youth, business & recreation who meet on average of 6 times a year to discuss (award, defer or reject) each application.

**Volume of activity**

In England there is 1.8 million and Wales £750 thousand per year.

**Opportunities/successes**

There is no evidence that social housing providers have used this resource in the past so there an opportunity for them to tap into this resource.

**Barriers/problems**

The grants advisory panel only meet on average of 6-times a year. Projects applications valued at over £15 thousand are referred back to a full member's board for ratification thus potentially adding further delay.

**Further Information**

<http://www.nationalparks.gov.uk/livingin/sustainable-development.htm>

**Name of financial product**

Energy Peoples Trust

<b>Finance provider</b> Scottish Power
<b>Target group</b> Applications are accepted for projects from not-for-profit organisations and groups (such as children’s charities, local community groups, support organisations, housing associations, local authorities and others) with a specific objective to help end fuel poverty by funding projects and schemes.
<b>Funding mechanism</b> Projects may be funded up to a maximum of 3 years but whatever the duration the £100,000 maximum funding limit applies. Each project is assessed by an independent board of Trustees.
<b>Volume of activity</b> To date this fund has approved over 90 separate projects and has paid out nearly £4m in grant funding of which a number of Social Housing providers have been successful.
<b>Opportunities/successes</b> The maximum grant award is £100K which can be directly funded up to 100%  Despite the relatively high number of successful applications received and approved from social housing providers, this grant largely remains untapped resource  Since the original review was undertaken other energy suppliers have also added their own version of these trust funds - details of which can be found in further information below.
<b>Barriers/problems</b> Successful applications have to demonstrate that the funding is not being used to deliver against any statutory duties / obligations required by that organisation.  Trustee meetings (and awards) only take place four times a year i.e. March, June, September & December and only one application can be submitted per organisation per Trustees’ meeting.
<b>Further information</b> <a href="http://www.energypeopletrust.com/content/">http://www.energypeopletrust.com/content/</a> <a href="http://www.britishgasenergytrust.org.uk/">http://www.britishgasenergytrust.org.uk/</a> <a href="http://www.ebico.co.uk/trust.php">http://www.ebico.co.uk/trust.php</a>

<b>Name of financial product</b> Green Tariff Funds
<b>Finance provider</b> UK based energy suppliers
<b>Target group</b> Local community groups and not for profit organisations and charities within the UK
<b>Funding mechanism</b> A single application process for small scale renewable energy technologies upon which it is reviewed by each Trustee and a decision made based on merit and the context of the aims of the application and the availability of funds.
<b>Volume of activity</b> A number of energy suppliers operate ‘green tariffs’ where they promise to either

purchase energy from renewable sources or invest in energy efficiency or renewable energy projects. Some green tariffs are also linked to grant funding programmes, for example Scottish Power's Green Energy Trust.

**Opportunities/successes**

This is a relatively unknown form of funding to social housing providers however, since the original review was undertaken other energy suppliers have also added their own version of these trust funds - details of which can be found in further information below.

**Barriers/problems**

Competition is very high for relatively small pots of funding for example the maximum grant award through the Scottish Power's Green Energy Trust is up to 50% of the capital cost up to a maximum of £25K however the average award is only £10K.

To achieve any chance of a successful application each application must demonstrate 'community involvement' and 'educational benefits' as a priority.

There are only 3 rounds per year for application to be considered. i.e. April, September & December

**Further Information**

<http://www.scottishpowergreentrust.co.uk/content/>

<http://www.britishgas.co.uk/energy-efficiency/products/energy-innovation/green-streets.html>

<http://eon-uk.com/about/sustainableenergyfund.aspx>

<http://www.edfenergy.com/products-services/for-your-home/our-services/green-energy-fund.shtml>

**Name of financial product**

The National Lottery:

The Big Lottery Fund – 'People & Places' programme (Wales)

The Big Lottery – 'Reaching Communities' programme (England)

The Big Lottery – 'Community Sustainable Energy Programme' (England)

**Finance provider**

The Big Lottery Fund

**Target group**

Any non-for-profit organisation

**Funding mechanism**

Applications are reviewed by a committee that meets once a month on average

**Volume of activity**

'People and Places' (Wales) budget was £66 million for the 2005 – 09 programme

'Reaching Communities' (England) The three-year programme, launched on 7 December 2005, will make up to £60 million available in 2008-09 with a minimum grant of £10 thousand and a maximum of £500 thousand

'Community Sustainable Energy Programme' (England) will provide £8 million to community-based organisations for the installation of microgeneration technologies, such as solar panels or wind turbines and energy efficiency measures

**Opportunities/successes**

Several successful applications through different programmes for providing household

advice associated with fuel poverty (for example, Advance Housing and Support Ltd. <http://www.lottery.culture.gov.uk/details.asp?ID=ME/1/000002027&DBID=CH> ) and others to pay capital for RE systems however no applications have been made to date for retro-fit in Social Housing so this fund is clearly an unknown form of funding to social housing providers.

**Barriers/problems**

Project must fit within the project outcomes to qualify. For applications less than £250 thousand a project must meet at least one of the outcomes. From Project over £250 thousand a project must meet all 3 outcomes.

Big applications are very competitive where demand often outstrips availability of funding. Any rejected applications on the basis of insufficient funds are not automatically rolled over to the following month so a new application has to be submitted.

The 'Community Sustainable Energy Programme' (England) specifically states that it housing associations are not eligible however it does state that registered charities and trusts are eligible so this may provide an opportunity for smaller charitable housing trusts.

**Further Information**

The National Lottery: <http://www.lotteryfunding.org.uk/>

The Big Lottery Fund (Wales)

[http://www.biglotteryfund.org.uk/prog\\_people\\_places?regioncode=-wal&progStatus=open&country=%20%20Wales&status=theProg&chan=funding&title=People%20and%20Places](http://www.biglotteryfund.org.uk/prog_people_places?regioncode=-wal&progStatus=open&country=%20%20Wales&status=theProg&chan=funding&title=People%20and%20Places)

The Big Lottery Fund (England)

[http://www.biglotteryfund.org.uk/prog\\_reaching\\_communities?regioncode=-eng&progStatus=open&country=%20%20England&status=theProg&chan=funding&title=Reaching%20Communities](http://www.biglotteryfund.org.uk/prog_reaching_communities?regioncode=-eng&progStatus=open&country=%20%20England&status=theProg&chan=funding&title=Reaching%20Communities)

Community Sustainable Energy Programme (England)

<http://www.communitysustainable.org.uk/>

**Name of financial product**

Energy Supply Companies (ESCOs)

**Finance provider**

Public Sector with private sector involvement

**Target group**

All types of social housing providers

**Funding mechanism**

Many ESCOs are currently based on the co-generation of heat and electricity using a Combined Heat and Power (CHP) generator.

There are two basic types of renewable energy based ESCOs. One generates and sells energy then uses the proceeds to fund energy efficiency measures in the local community, whilst the other produces and distributes an energy service which is sold to the local market for profit.

The relationships between Public & Private Sector organisations are usually set out in the following ways, either:

Public sector driven with no (or very little) private sector involvement or,  
Public sector driven with private sector involvement in design and build or,  
Public sector driven, but procured and operated by the private sector, though not fully on energy performance contracting principles or,  
Public or private sector driven, and operated on energy performance contracting principles;  
Private sector driven, with (or without) public sector encouragement.

**Volume of activity**

Unquantifiable

**Opportunities/successes**

Due to the various financial, technical and operational risks involved in setting up a scheme there is an advantage for this to be passed over to the private sector thus transferring any of these risks.

A number of local authorities have established joint venture companies / ESCOs to provide energy services including Woking Borough and Southampton City Councils based around community heating and combined heat and power schemes. Other examples include Dundee City Council's preferred supplier arrangement, the revenue from which goes into a community energy efficiency fund, which pays for free tenant energy advice service as well as energy efficiency measures in houses.

**Barriers/problems**

It is important to ensure that agreements with companies and developers are absolutely watertight so they cannot avoid their obligations.  
There are not very many companies that can undertake Design, Build, Finance and Operate projects.

Setting up a scheme takes a lot of time and requires a core of committed people.

**Further Information**

<http://www.energysavingtrust.org.uk/business/Business/Local-Authorities/Your-Sustainable-Energy-Strategy/Energy-Services-Packages>

## 6. Contact

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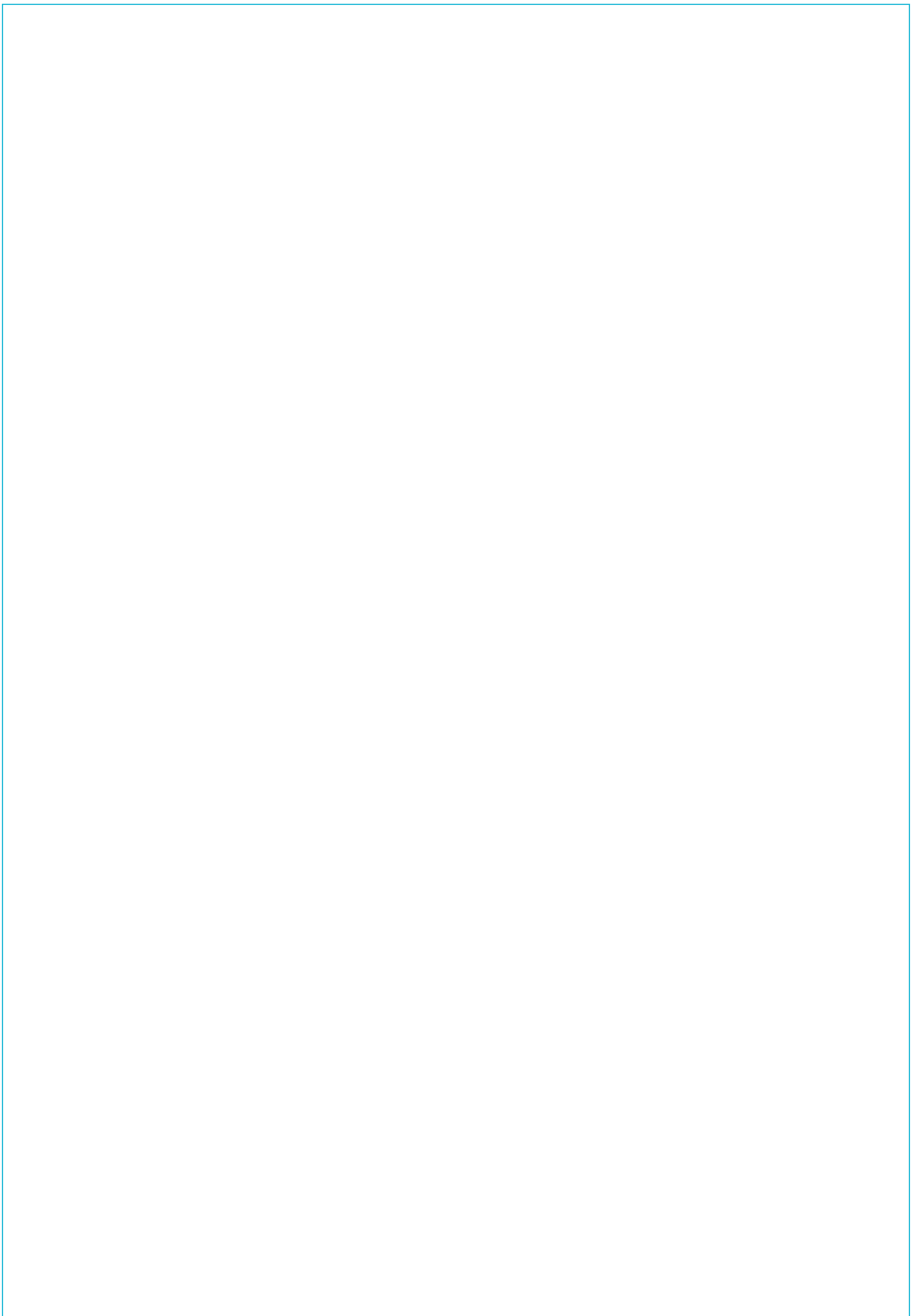


**Project Website:** [www.finsh.eu](http://www.finsh.eu)



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