

ANGUS COUNCIL

CORPORATE SERVICES COMMITTEE – 28 JANUARY 2010

SUBJECT: IMPLEMENTATION OF A PILOT COUNCIL TAX DISCOUNT FOR ENERGY EFFICIENCY SCHEME

REPORT BY DIRECTOR OF CORPORATE SERVICES

**ABSTRACT: This report outlines the arrangements to be put in place which will allow the implementation of a pilot Council Tax Energy Efficiency Discount Scheme.**

**1. RECOMMENDATION**

It is recommended that the Committee:

- a) note the contents of this report;
- b) approve the introduction of a Council Tax Discount for Energy Efficiency Scheme on the basis set out in this report and for a pilot period of up to 2 years; and
- c) approve the proposed use of Scottish Gas as the energy supplier for the pilot period in accordance with Financial Regulation 16.22.4b(vi)

**2. INTRODUCTION**

Section 65 of the Climate Change (Scotland) Act 2009 requires local authorities to establish a council tax discount scheme that will reduce council tax liability for those council tax payers who make approved energy efficiency improvements to their home. Councils can establish such schemes from April 2010 and there is an expectation that where possible, schemes will be in place from 1 April 2010.

The legislation gives local authorities the discretion to design schemes as they consider appropriate, including but not exclusively the following provisions about:

- (a) The type of energy efficiency improvements to which the scheme applies;
- (b) The chargeable dwellings to which the scheme applies;
- (c) The level of reduction under the scheme, in the amount which persons are liable to pay in respect of council tax;

**3. PROPOSALS**

COSLA have produced a core scheme which is intended to provide Councils with the basic core components considered necessary to ensure compliance with the Act. Councils may however wish to go beyond the legislative requirements and tailor their own schemes to suit their local needs. The core scheme has been developed on the presumption that Councils will look to introduce a scheme from April 2010 and given the implementation timescales will, in this first year of operation, seek to keep to the core scheme as far as possible.

Outline of Core Scheme

The Core Scheme is designed around delivery by one or more energy companies. Energy companies are already delivering a variety of schemes across the UK in order to comply with their Carbon Emissions Reduction Target (CERT) obligations. These include schemes which offer Council Tax discounts (England and Wales) and, at this time, engaging in similar schemes in Scotland is considered the best option to enable schemes to be delivered quickly and at a minimum cost to Councils. The core scheme outlined below is in line with initial discussions held with energy companies. The key components of the Scheme are as follows:

## General

- The intention at this stage is to have a scheme which meets the requirements of the Act without creating an undue burden on councils.
- The energy company meets the cost of the discount and pays a small supplement toward council's administration costs.
- The energy company verifies individuals' eligibility under the scheme and certifies that the work has been undertaken.
- For simplicity it is suggested that each council would have a single relationship with a single energy supplier. Given the statutory basis and timescales and the apparent absence of alternative suppliers offering suitable schemes, it is considered reasonable to work with one supplier for a pilot period.
- The policy intention of the Scheme is to meet the requirements of the Climate Change Act 2009.
- As the work is being delivered through the CERT obligation, this should contribute to carbon emissions reductions and thus contribute to councils' existing climate change work.
- The Scheme's focus is on a limited range of effective interventions that can be topped up at the councils' discretion.
- The Scheme is open to any home owner wishing to undertake home energy improvements included within the provisions of their council's scheme. In this regard "energy improvements" are defined as loft insulation and cavity wall insulation.

## Promotion of the Scheme

- Inserts would be included with Council Tax Bills to provide information on how to access the Scheme. Information provided in this way should not include reference to the energy company; however a contact number will need to be provided. These calls would be handled by the relevant energy company.
- Councils may wish to promote the Scheme using other promotional material such as Council newsletter, door drops and local press, and it is suggested that these can include dual badging with the energy company.

## Council Tax Discount

- It is a requirement of the Act that local authorities "must establish a scheme for reducing the amounts which persons are liable to pay in respect of council tax where improvements are made to the energy efficiency of chargeable dwellings". This is interpreted under the core scheme as being to offer a discount on council tax.
- The discount needs to be the minimum that the Act requires (£50 per home or where the liability for Council tax is less than £50, an amount equal to that person's liability). It is possible that through agreement with energy companies a higher discount could be given. In addition Councils can augment the level of discount in line with local priorities but this would require to be met from the Council's own resources.
- It is unclear at this stage what the average administrative cost for the Council will be of making a discount; however it is anticipated that this is unlikely to be a major cost and a proportion of such costs should be refunded by the energy company by agreement.
- The discount needs to occur within the Council Tax year in which the work is certified. There may be a need to specify a cut off date for applications in any year though it is anticipated that this would be part of the arrangements agreed with the energy supplier.
- It should be noted that the scheme only applies to Council Tax, therefore water and sewerage charges are excluded.

## Energy Company Role

- Unless Councils choose to depart from the core arrangements only CERT supported work would qualify. This would leave out hard to treat properties and those that have already been treated, as well as works that fall outside the insulation arrangements.
- The Energy Company would carry out initial screening, survey and installations.
- Insulation would be installed by qualified installers contracted to the Energy Company.

- The Energy Company would provide Councils with a certification that the job has been done, and provide an analysis of the work done in the relevant council area. This could provide the basis for reporting on the scheme.
- The only energy company identified as being interested in providing a suitable scheme from 1 April 2010 is Scottish Gas and it is proposed to work with them on a pilot basis for at least 12 months and possibly up to 2 years

#### Reporting

- The Scottish Government must report on progress to the Scottish Parliament by March 2012.
- In the meantime COSLA would like to see reporting on this Scheme to be rolled into existing arrangements for reporting on Scotland's Climate Change Declaration (SCCD).

#### What the Core Scheme Doesn't Cover

- The Core Scheme has a presumption against DIY installations at this time, given the additional burden on Councils that this would create in terms of certification, though this can be re-visited as the scheme beds in.
- Other interventions such as solar heated hot water, ground and air source heat pumps etc are also excluded from the core scheme, though these can also be re-visited in the future.

### **Proposals for Angus Council's Version of the Core Scheme**

#### Pilot Scheme

It is proposed that Angus Council implement a pilot scheme based on the above core scheme for a period of up to 2 years from 1 April 2010. As described above, the council will enter into an arrangement with Scottish Gas who will fund the council tax discounts for council tax payers and pay an administrative fee towards operational costs.

There is a potential procurement issue with the council utilising a single energy provider but a pilot scheme is an acceptable solution as there is no long-term contractual commitment to the supplier, and the pilot period would allow meaningful information to be gathered about take up and value of any concessions generated by the scheme. This would inform any future decisions to advertise and select the best supplier under normal procurement rules for the years that follow the pilot scheme period. In this regard members are asked to approve exemption from normal procurement rules in order that British Gas can be used for the pilot period. This is in accordance with the exemptions criteria allowed under Financial Regulation 16.22.4b(vi)

To obtain maximum coverage it is intended to publicise the scheme in hard copy paper material to be included with the council tax bills for 2010/11 which will be issued in March 2010.

#### Type of energy efficiency improvements to be covered by the scheme

It is proposed that the scheme would cover cavity wall and loft insulation only at this stage.

#### Who will be covered / not covered by the council tax discount scheme

Those individuals aged 70 years or over, or who are in receipt of income related benefits including council tax benefit, are entitled to free installation of cavity wall and loft insulation under the provisions of existing schemes operated by energy providers. As there would be no advantage to these individuals to install energy efficiency improvements under the council tax energy efficiency discount scheme then they will not be eligible for this scheme.

Scottish Gas have confirmed that they will pay the council a fee of £ 5 per referral received from a person who is entitled to free installation of cavity and or loft insulation by virtue of their entitlement to income related benefits .

As the legislation provides that the discount goes to the council tax payer regardless of who carries out and pays for the energy efficiency improvements, the scheme is more likely to incentivise owner/occupiers rather than landlord/tenants.

Effectively the persons most likely to benefit from the council tax discount scheme will be owner occupiers not in receipt of income related benefits.

The promotional material relating to the scheme will be issued to all council tax payers along with their annual bills and when the energy provider deals with resulting enquiries from householders they will ensure that the callers are dealt with under the scheme which is the most beneficial to them.

#### Amount of council tax discount

The minimum discount to be awarded under the legislation is £50 or less if the amount of council tax to be paid is less than £50.

Scottish Gas has agreed to fund a discount of up to £75 per household, inclusive of the council's administrative fee. It is up to the council to decide on the level of the administration fee that they wish to take from the £75 payable by Scottish Gas. It is proposed that the council utilise £10 of the available funding to cover the costs of operating the scheme, with the remaining £65 being made available to the council tax payer as a discount on their council tax. No additional top up amount will be provided by Angus Council as there is no funding for this. It is hoped that the offer of an increased discount of £65 to the taxpayer as opposed to the legislative minimum of £50 will encourage take up of the scheme.

#### **Future Developments**

- Ideally these schemes would have a link to the recommendations contained in Energy Performance Certificates (EPCs) and Home Reports.
- The current CERT scheme runs until March 2012. It is not clear what will follow however there is a presumption the current Community Energy Savings Programme (CESP) pilot will form the basis of a new scheme. The Core Scheme may need to be revisited in light of any changes to requirements on Energy Companies.
- The UK Climate Change Committee's recent report to the UK Parliament on its progress against emissions reduction targets recommended a street by street, whole house approach to improving energy efficiency in the UK domestic housing sector. If taken forward this may have implications for any schemes.

#### **4. FINANCIAL IMPLICATIONS**

No government funding is to be made available to local authorities to cover the costs of the discounts or administration of the Council Tax Discount for Energy Efficiency Scheme. Arrangements have been negotiated with Scottish Gas to provide funding for the discounts awarded under the scheme as well as making a contribution to administrative costs. It is anticipated that the costs of administering the scheme will be covered by the Scottish Gas fees. In overall terms therefore it is currently expected that the introduction of the proposed pilot scheme will be broadly cost neutral for the Council.

#### **5. HUMAN RIGHTS IMPLICATIONS**

5.1 There are no Human Rights implications arising from this report.

#### **6. EQUALITIES IMPLICATIONS**

6.1 The issues dealt with in this report have been the subject of consideration from an equalities perspective. An equalities impact assessment has been undertaken.

#### **7. CONSULTATION**

The Chief Executive, Head of Law and Administration, Head of Finance and Head of Property have been consulted in the preparation of this report

## **8. CONCLUSION**

The council has a duty to implement a Council Tax Discount for Energy Efficiency Scheme.

Implementing the core scheme as proposed by COSLA will reduce the burden on the council and along with the arrangements made with Scottish Gas will allow the initial promotion of the scheme to commence with the issue of annual council tax bills in March 2010. The adoption of a pilot scheme for up to 2 years will allow sufficient time to gauge the level of take up etc. This would inform any future decisions to advertise and select the best supplier under normal procurement rules for the years that follow the pilot scheme period.

**Colin McMahon**  
**Director of Corporate Services**

**NOTE:** No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparing the above report.

**AB**  
**18.01.10**