

Briefing Note -Using a Council Tax Rebate Scheme to stimulate Green Deal Demand

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Historically, the funding for Council Tax Rebate Schemes has been provided (in full, or in part) by energy utilities as part of their CERT obligations. This approach was trialled (very successfully) by Braintree DC in 2004 with funding provided by Centrica –full details are provided in Centrica’s 2006 submission to the Environmental Audit Committee

<http://www.publications.parliament.uk/pa/cm200506/cmselect/cmenvaud/1452/1452we05.htm>
(see paragraphs 29 to 36).

In summary, a discount of £100 was promoted as a Council Tax incentive to householders was aimed mainly at the “able to pay” (i.e hard to reach fuel-rich sector). This achieved:

- 500 enquiries in the first few months.
- 500 installations over a 13 month period compared to 200 installations per year for the previous 18 month period.
- Research has shown that the Council Tax is not popular, so the perceived benefit of a reduction stimulates the uptake of the scheme. Also, Local Authorities are viewed by householders as independent and objective, thus overcoming the barrier experienced by many energy utilities of providing energy efficiency related grants or advice –consumers are suspicious of energy companies real intentions when offering “free” or subsidised services –they suspect that there must be a “catch” –the LA involvement provides a positive independent endorsement that the offer is legitimate and valuable.

In more detail:

- Scheme trialled in Braintree in 2004 and by March 2006, 16 councils were involved. A source from WWF (http://www.ratingreviewni.gov.uk/world_wildlife_fund.pdf) indicated that in 2008, over 64 councils were working in partnership with British Gas.
- BG liaise with installers to arrange the work and many councils suggest the rebate scheme takes virtually no additional staff time – this would be worth verifying via direct contact with participating councils.
- WWF reported a BG survey of over 1,000 participants (2007) in the scheme finding that:
 - 35% said that they wouldn’t have installed energy saving measures if it hadn’t been for the council tax rebate
 - 60% said they preferred to get the discount on their council tax bill rather than through a discount in the price of the energy saving measures.
- In the original trial:
 1. Householder invested in installation of insulation. Of the £100 rebate, £50 came from EEC (CERT) obligation; other £50 came from Braintree DC.
 2. Payments for installation can be spread over two years.
 3. Scheme promoted via enclosures in council tax bill mailings and local press.
 4. Investment of up to £200, £100 rebate, savings on bills of over £100 a year. Average annual savings on energy bills ~£150, according to Centrica Env Select Committee Report.
 5. Householders could see their investment paid back within two years.
 6. The customer has the option of receiving the payment as a single payment to use as a rebate against their annual council tax bill or to spread the payment across 12 direct debit instalments.

7. Discount funds are drawn from a council budget from the council's housing revenue account. Uptake will be different across councils as some will match fund, others not.
 8. Home Energy Audit programme offered as an additionality. Similar to the London Green Concierge Service.
- Roll out of scheme - Not all participating councils have taken the decision to match British Gas' funding. South Hams and South Cambridgeshire provide monies but not match funding.
 - Croydon BC offers rebate for both loft and cavity insulation, BG funding £50 of each rebate, with the council financing the remainder. Council receives funding from BG towards its current £25,000 annual marketing and promotions budget for the scheme. In its first year up to June 2007, nearly 600 installations completed with a further 500 in pipeline. Council sets its own targets.

Relevance to Green Deal and the £200m incentive scheme

The government has set aside £200m to help kick-start the Green Deal. A Council Tax rebate scheme based upon the Braintree model could provide a very cost-effective mechanism for stimulating Green Deal take-up in over 1 million homes (based upon a £100 council tax rebate/home and a £100/home scheme administration cost). Clearly, more householders could benefit if scheme administration costs are reduced below the typical scheme administration cost of 50%.