

Highland Council
Community Services Committee
6 November 2014

Agenda Item	25
Report No	COM 51/14

Affordable Warmth Update

Report by the Director of Community Services

Summary

Following the Carbon CLEVER report to the Council meeting on 4 September 2014 Members requested a more detailed report on affordable warmth. This report provides an update on progress with the affordable warmth elements of Highland's Local Housing Strategy and recommends priority actions for the next year.

1. Introduction

- 1.1 Highland's strategy to promote affordable warmth and reduce fuel poverty is an integral part of the Council's Programme, the Single Outcome Agreement, the Carbon Clever Programme Plan, and the Local Housing Strategy. The main aim is that: 'people are able to afford to heat their homes to an adequate level'.
- 1.2 An Affordable Warmth Partners Group has been in place for a number of years. Its membership comprises of officers from Highland Council, Highland's Housing Associations, the Energy Saving Trust, Home Energy Scotland, Energy Action Scotland, NHS Highland, CAB and the Scottish Government.
- 1.3 This report describes progress with the key affordable warmth actions that are set out in the Local Housing Strategy and the Affordable Warmth Action Plan. It proposes priorities for the coming year which will be incorporated into the Local Housing Strategy review in 2015. These priorities also relate to the forthcoming Scottish Government Fuel Poverty Statement due to be published at the end of 2014.
- 1.4 This report focuses on how various actions tackle fuel poverty rather than how they mitigate climate change. It should be noted that while improving the energy efficiency of a house may help reduce household spend on fuel bills, it does not necessarily take households out of fuel poverty.

2. Background and context

- 2.1 The Scottish Government define a person as living in fuel poverty if, in order to maintain a satisfactory heating regime, they require to spend more than 10 per cent of their household income on all household fuel use. Extreme

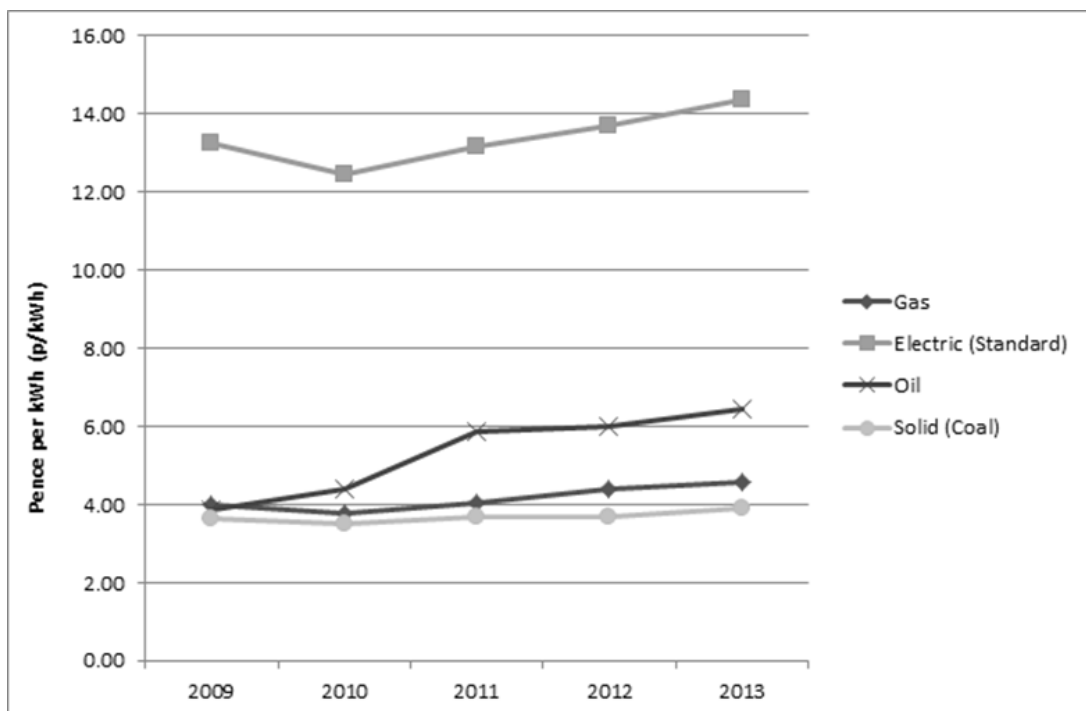
fuel poverty is defined as spending over 20% of household income. The Scottish House Condition Survey 2010-2012 reported that in the Highland Council area over one in three (39%) of households were in fuel poverty. This compares to an average of 27% in Scotland. In Highland it reports 11% of households living in extreme fuel poverty compared to an average of 7% in Scotland.

2.2 The Scottish House Condition Survey also identifies fuel poverty as a cross-tenure issue. In Highland, 40% of private households and 35% of socially rented households are reported as living in fuel poverty. This is compared to an average of 26% of private households and 29% socially rented households in Scotland.

2.3 A number of factors contribute to the relatively high levels of fuel poverty in the Highlands:

- The limited availability of fuel choices in Highland and the continued rises in energy costs
- Seasonal fuel poverty is a factor in areas with dependency on tourism jobs
- The cost of new heating systems and fabric upgrading works due to the location and limited availability of firms and funding.

2.4 Since the Local Housing Strategy was developed, fuel prices have continued to rise at a higher rate than inflation (see Energy Saving Trust graph below).



2.5 At the UK level, the Energy Company Obligation requires the 6 major utility companies to finance energy efficiency works in domestic properties. Energy Company Obligation funding is not ring-fenced and hence there is no separate allocation for Scotland. Through its Home Energy Efficiency Programme Scotland (HEEPS), the Scottish Government has aimed to

maximise the amount of utility funding in Scotland and has invited Local Authorities to administer area-based schemes. It should be noted that the main focus of these schemes is to improve the energy efficiency of domestic properties based on the fabric of the property, which does not always directly reduce fuel poverty.

- 2.6 There have been a range of different energy efficiency schemes over recent years. A current list of the Scottish Government's Home Energy Efficiency Programmes for Scotland can be accessed at <http://www.energysavingtrust.org.uk/scotland/Take-action/Home-Energy-Scotland/Home-Energy-Efficiency-Programmes-for-Scotland/What-is-offered-and-who-is-eligible>
- 2.7 Guidance has been issued by the Scottish Government and COSLA on addressing climate change through Local Housing Strategies, to help Local Authorities meet their duties under the Climate Change (Scotland) Act 2009. Given the links between energy efficiency and climate change, there is a need to consider how activities can be aligned to deliver the desired outcomes e.g. ensuring that the use of renewable technology helps to deliver more affordable fuel.
- 2.8 The Council's Affordable Warmth Action Plan aims to set out activities across partners which will increase affordable warmth and reduce fuel poverty. A copy of the Action Plan is attached at **Appendix 1**. The remainder of this report provides an update and recommendations for future priorities.

3. Actions and progress against the Affordable Warmth Action Plan

3.1 Action 1 – Maximise the coverage and uptake of energy efficiency works in privately owned and privately rented housing

- 3.1.1 In recent years Highland has been successful in maximising grant funding for energy works and in delivering these schemes. The Scottish Government's Universal Home Insulation Scheme ran from 2010 to 2013. In Highland each Council ward was covered by the scheme and 5,624 insulation measures took place.
- 3.1.2 The Universal Home Insulation Scheme was replaced by the HEEPS: Area Based Scheme in 2013. This is administered in Highland for the Scottish Government by the Council's Energy and Sustainability Team and is contracted to E.ON. Home owners within four Highland Council wards have been offered free energy saving measures, primarily external wall insulation.
- 3.1.3 Areas have been selected based on the feasibility of carrying out external insulation works on particular house types, in off-gas areas, and within the Scottish Government prescribed timescales. The scheme is mainly aimed at insulating hard-to-treat properties with primary measures being cavity wall insulation or external wall insulation. This is expected to continue as a three-year programme and estimates indicate the three-year Scottish Government

funding to Highland could be in the region of £7m, with E.ON contributing an additional estimated £6m to the scheme as part of their Energy Company Obligation.

3.1.4 The table below shows progress with HEEPS to date and measures currently programmed.

Measures	2013/14	2014/15	2015/16
Number of insulation measures programmed	300	1,000	560
Number of insulation measures completed	300	-	-

3.1.5 Although HEEPS is being delivered successfully in Highland, it should be acknowledged that the scheme has limitations. Funding is linked to the Energy Company Obligation and this means that not all properties will qualify for insulation works. Further to this, Scottish Government funding is restricted to £6,000 per property which is insufficient for some house types in rural locations.

3.1.6 Between 2009 and 2013 the Scottish Government's Energy Assistance Package funded measures aimed at maximising income, reducing fuel bills and improving energy efficiency. The scheme was delivered by the local Home Energy Scotland advice centre. The service was available to everyone, with grant funded measures targeted at households most vulnerable to fuel poverty. The table below shows Energy Assistance Package uptake in Highland in the last three reporting years.

Measure	2010/11	2011/12	2012/13
Households given advice	7,529	3,886	3,176
Benefits and Tax Check Referrals	1,720	721	586
Social Tariff Referrals	3,111	907	421
Households who received insulation measure	908	1,220	1,230
Households who received heating measures	702	856	942

3.1.7 The Energy Assistance Package was replaced by the Energy Assistance Scheme in 2013. Members will be provided with figures for Highland once these are available from the Scottish Government.

3.1.8 A common feature of the schemes in Highland has been that they have been oversubscribed and that demand for energy efficiency works in Highland remains high. The Council may wish to consider lobbying for future schemes to:

- be less bureaucratic and more focused on individual household needs;
- provide higher funding to Highland and other rural areas to reflect the

- additional costs of works in rural and off-gas areas; and
- provide longer-term funding post-2015.

3.2 Action 2 – Maximise energy efficiency works in Council and Housing Association stock

- 3.2.1 There is regular reporting to the Community Services Committee on progress with the Council's Standard Delivery Plan and HRA capital programme. Between 2007/08 to 2013/14 the Council has invested £47.8m on improving energy efficiency measures in our housing. This has involved new heating systems to 3,153 houses and insulation measures to 4,409 Council houses.
- 3.2.2 In 2007 just 16.1% of Council houses met the energy efficiency element of the Scottish Housing Quality Standard (SHQS). Many of those which failed were hard to heat / hard to treat and required multiple energy efficient measures to bring them up to standard. The current figure for energy compliance is 81.5% and the remaining stock will be brought up to standard during 2015.
- 3.2.3 Options to use renewable technology are a key feature of HRA Capital Programme planning and are particularly required in rural off-gas areas. We plan to install over 1,500 biomass or air source heat pumps as part of the current HRA Programme.
- 3.2.4 The Scottish Government has announced a new Energy Efficiency Standard for Social Housing to be reached by 2020. Assessment of Council stock is taking place and will be reported to Community Services Committee. Initial assessments have indicated that multiple works may be required to 3,050 properties at an estimated cost of £27.1m.
- 3.2.5 The expectation has been that significant funding would be available to Councils under the Energy Company Obligation. At the present time there remains considerable uncertainty in funding from the Energy Company Obligation in relation to social rented houses, largely as a result of changes to the scheme made by the UK Treasury in December 2013. In view of this uncertainty the Scottish Government intends to review the affordability of the new standard in 2017. In the meantime Highland will maximise alternative funding such as the new Domestic Renewable Heat Incentive. This scheme will enable the Council to register renewable heating systems and receive a fixed income over 7 years based on the property type, level of insulation and energy use in each house.
- 3.2.6 The Scottish Government Renewable Heat Policy promotes district heating. The Council is involved in a strategic group for Highland. The Council is also exploring forming an energy company, and a paper on this will be presented to the Planning Development and Infrastructure Committee.
- 3.2.7 As part of our delivery of the new Energy Standard it is intended to pilot several innovative energy projects, in particular small district heating and/or

micro-generation schemes within Highland Council stock by 2017. These should be treated as pilots ahead of commissioning further works if they prove successful in improving the energy efficiency of our stock and in reducing energy use for the householders involved.

3.3 Action 3 – Advice, assistance and income maximisation

3.3.1 The Home Energy Scotland advice centre for the Highlands and Islands works closely with community groups across Highland. Their activities include:

- ensuring appropriate staff and volunteers are knowledgeable about each other's services and activities;
- working together on joint community campaigns;
- sharing information on financial assistance available to support carbon reduction;
- sign-posting and where appropriate, referring householders and/or businesses to each other's services.

3.3.2 In 2013-14, 4,801 Highland households were given advice by Home Energy Scotland on a range of energy efficiency measures and behaviours.

3.3.3 A simple referral scheme, Healthy Homes for Highland, has been developed by the Council, Home Energy Scotland, Scottish Fire & Rescue Service and NHS Highland. This allows front-line workers and voluntary organisations to refer vulnerable households to relevant services using a postcard and Freephone number. Up to 31 March 2014, 300 households had been successfully referred to this scheme and received appropriate advice and assistance relevant to their individual needs. The Council's Income Maximisation and Money Advice Teams continue to identify and support customers impacted by energy debt.

3.3.4 A recent pilot undertaken by Income Maximisation and the Ross-shire Midwifery team had a key objective to reduce financial inequality / poverty in pregnancy and early years by providing opportunity to access welfare, money and fuel advice. This pilot is currently being evaluated with the potential for further roll-out in other areas within the Highlands. Of the 137 customers who engaged with the pilot between June and August 2014, 114 were able to benefit from money advice and checks to ensure they were maximising their benefit entitlement.

3.3.5 It is intended to further develop proactive campaigns to ensure that all households in Highland receive the appropriate advice and assistance required. It is recommended that further efforts are made to target households who may benefit from fuel-buying clubs. It is also recommended that Highland Council, Home Energy Scotland and the main utility companies work together to target households in low income and ensure they are aware of their energy use and that they are maximising their household income.

3.4 Action 4 – Continue lobbying to support Highland households

- 3.4.1 The Council does not have a direct influence on many of the factors impacting on fuel poverty, for example energy prices and household income. However there is an on-going need to promote solutions that are deliverable by others. The Council should consider lobbying the UK and Scottish Governments, as well as utility companies, to ensure that the specific problems of Highland are addressed. Proposed lobbying issues are noted below.
- 3.4.2 Many rural communities in Highland continue to rely on oil and LPG heating. There are limited suppliers in Highland and prices are regularly up to 10p a litre higher than Scottish urban prices. The fuel discount scheme for petrol and diesel for motor vehicles was introduced due to the proven higher costs in parts of the Highland and Islands. Introducing a similar scheme in Highland for domestic oil and LPG fuel will introduce some parity of costs.
- 3.4.3 Equality in fuel pricing is required to ensure Highland households, particularly in off-gas areas, do not continue to pay more for their fuel than other parts of the UK. The use of electricity for heat is currently around double the cost of mains gas. Off-gas users are further disadvantaged as they are unable to access the dual fuel tariffs which allow gas customers to pay between 6 and 8p less per kilowatt hour for their electricity.
- 3.4.4 As noted above, current national schemes and funding sources lack flexibility and provide unnecessary barriers to delivering effective energy efficiency works particularly in rural Highland. Schemes directly managed by local authorities would help to respond more effectively to local needs.

4. Conclusions

- 4.1 Considerable work has taken place in Highland over the last three years to increase affordable warmth and to target information, advice and investment to people in greatest need; however this work has taken place against a backdrop of increased heating fuel prices.
- 4.2 It is proposed that future actions for the Council should involve:
- Continuing to deliver Scottish Government energy efficiency schemes in private housing;
 - Further improving the energy efficiency of Council housing with a view to reaching the new Energy Efficiency Standard for Social Housing;
 - Working with partners to offer advice and assistance to households, with a focus on maximising household income and reducing household energy use; and
 - Lobbying utility companies and the UK and Scottish Governments with a view to creating a Highland heating fuel discount scheme, creating parity of fuel tariffs between on- and off-gas areas and having more localised control of energy funding schemes.

5. Implications

- 5.1 **Resources** - the Council has committed resources targeted at addressing fuel poverty and our strategic approach aims to maximise complementary investment and external funding.
- 5.2 **Legal** - the report and action plan reflect the legal duties placed on the Council in relation to climate change.
- 5.3 **Equalities** - addressing fuel poverty contributes to tackling inequality.
- 5.4 **Climate Change/Carbon Clever** - the Affordable Warmth Action Plan will help the Council achieve its climate change commitments.
- 5.5 **Gaelic** – there are no implications arising from this report.
- 5.6 **Rural** – fuel poverty is more acute in rural rather than in urban areas of Highland.

6. Recommendations

The Committee is invited to:

- i. note the progress with 'affordable warmth' actions being undertaken to improve energy efficiency and tackle fuel poverty; and
- ii. approve the priority actions set out in section 3 of the report, namely:
 - Maximising funding and uptake of energy efficiency works in private housing;
 - Delivering energy efficiency improvements in Council housing by reaching the Scottish Housing Quality Standard and the new Energy Efficiency Standard for Social Housing;
 - Proactively targeting fuel poor households to offer appropriate advice, assistance and income maximisation; and
 - Lobbying UK and Scottish Governments and utility companies to assist Highland as an area of recognised fuel poverty.

Designation: Director of Community Services

Date: 24 October 2014

Author: Brian Cameron, Housing Policy Officer

Appendix 1

Affordable Warmth Action Plan - Highland Housing Strategy 2010 – 2015

Strategic objectives to achieve the outcome of fewer households living in fuel poverty:

- a) Reduce energy demand and carbon emissions through facilitating improved energy efficiency in privately owned; privately rented and social rented housing.
- b) Increase the action taken by households to reduce their fuel poverty as a result of awareness raising through good quality information and advice.
- c) Reduce the cost of fuel particularly in rural parts of Highland.
- d) Maximise householders' incomes.
- e) Deliver targeted and measured activities which are based on an understanding of fuel poverty (affordable warmth) and priorities.

Promote energy efficiency works in Highland homes

1. Maximise the coverage and uptake of energy efficiency works in privately owned and privately rented housing *Lead – Energy Team, Highland Council*

- a) Delivery of Home Energy Efficiency Programme Scotland (HEEPS) in Highland
 - i. Identity areas / communities most at risk of fuel poverty through data analysis; professional opinion and activity mapping
 - ii. Agree short- and long-term approaches to HEEPS activity
 - iii. Agree coordinated and holistic approach to marketing HEEPS activity and targeting those who need it most
- b) Maximise other sources of external funding
- c) Highland's Private Housing Scheme of Assistance helps to improve energy efficiency in privately owned and rented housing. Links to other funding sources, referral mechanisms for private landlords and owners and making energy efficiency a condition of funding
- d) Continue to promote / signpost to Energy Assistance Scheme; Warm Home Discount Scheme etc. and to measure progress

2. Maximise energy efficiency works in Council and Housing Association stock *Lead – Housing Policy Team, Highland Council*

- a) Deliver Scottish Housing Quality Standard capital programme
- b) Assess stock and requirements against pending 2020 energy efficiency standard
- c) Identify & utilise opportunities for maximising external funding including linkages with private

funding schemes and between social landlords
d) Agree design solutions to reduce reliance on heating and work towards zero carbon homes
e) Improve officer competence and confidence in maintaining & providing customer care re. new technologies (e.g. training; familiarisation; maintenance officers handbook)
f) Improve local contractors skills and competence in installing and maintaining new technologies / renewable heating systems
g) Explore potential for installing new technologies and practical means to promote renewable and district heating (including funding and developing supply chains)

Advice, assistance and income maximisation.

1. Help to make sure that households at risk of fuel poverty are aware of the assistance available <i>Lead – Home Energy Scotland</i>
a) Target at risk households (e.g. private tenants; older people; low income households; carers) and ensure that they are been assisted to make changes / deal with their issues
b) Agree priority geographical areas for campaigns
c) Use range of publications and media to promote help and advice
d) Provide regular information to organisations and groups which provide advice and establish referral arrangements with them
e) Promote mainstreaming of Healthy Homes for Highland referral approach amongst services and voluntary organisations, with new focus on links with NHS and health agencies
h) Review energy and heating performance (energy monitoring; post completion reviews etc.)

2. Support benefit uptake, awareness and financial inclusion activities <i>Lead – Income Maximisation Team, Highland Council</i>
a) Increase the number of customers reached with money advice and welfare rights services. Increase the financial benefit to customers from advice provided
b) Take forward links with credit union including proposed loan fund for households who require assistance with oil/biomass payments