

Agenda Item	16
Report No	EDI/52/18

HIGHLAND COUNCIL

Committee: Environment, Development and Infrastructure

Date: 16 August 2018

Report Title: Energy Efficiency Programmes for Scotland

Report By: Director of Development and Infrastructure

1. Purpose/Executive Summary

- 1.1 This report updates Members on the Scottish Government's Energy Efficiency Programmes.
- 1.2 There is an update on the current Highland home efficiency programmes along with information on the changes to the funding support mechanisms.
- 1.3 There is an outline of the Scottish Government Energy Efficient Scotland Routemap and additional works to be undertaken by the Council in preparation for this.

2. Recommendations

- 2.1 Members are asked to note the progress and programme for the current scheme, the changes to be made to the funding and the actions required transforming to Energy Efficient Scotland activities.
- 2.2 Members are asked to approve a closer alignment between Council programmes and those targeted measures for householders and businesses to ensure that the programmes gain the maximum benefits for the Highlands.

3. Background

- 3.1 The Scottish Government has put in place a scheme to assist householders to install a range of energy efficiency measures. This is to be funded mainly from the Scottish Government, with other supporting funds allocated from the Energy Company Obligation (ECO) funding.
- 3.2 The Council has been given the role of administration and management of the scheme. The Council will lead the development of localised or Area Based Schemes that will allow householders to access measures that will make significant improvement in the fabric and energy use in the home bringing benefit in energy costs, affordable warmth and carbon emissions.
- 3.3 There are a range of measures that could be offered through the scheme but as the best benefit and value is made from fabric improvements, the Highland scheme relies on offering only cavity or external wall insulation.

The scheme has conditions related to targeting properties that meet particular fuel poverty and house type criterion.

- 3.4 The present Home Energy Efficiency Programme – Area Based Scheme (HEEPS-ABS) has operated for 6 years and this will be the final term of the programme before it will become part of a new Energy Efficient Scotland scheme in 2019.

4. Housing investment Update

- 4.1 The programme has been active across the Highland area over the course of the scheme and has carried out improvements in 1867 homes with a projected 110,000 tonnes of carbon saved. 276 of these properties were classed as “very rural” homes. The level of improvement in household bills from the measures are noted below:

Building	Detached	Semi detached	Mid terrace	Bungalow	Flat
Annual saving ¹	£415	£245	£155	£165	£115

As part of a Highland-first approach, the Council’s delivery team directed the 2017-18 term to concentrate action on Swedish Timber Houses and offered an innovative solution to target these poorly insulated properties.

- 4.2 Delivery has been challenging after the Grenfell incident and householders rightly questioned the type of materials used and the methods of construction. This meant that the programme was delayed in commencing installations, but the full commitment was completed with high levels of satisfaction from

¹ Savings based on EPC and EST estimate information
<http://www.energysavingtrust.org.uk/home-insulation/solid-wall>

householders.

- 4.3 As a result additional funding of £150,000 was offered to the Council and extra houses were also completed due to the high demand from Swedish Timber homeowners.

5. Scheme Partner

- 5.1 The Council has received an element of core funding from the Scottish Government of £2.3m on condition that the amount provided is linked with an ECO contribution to provide a full operational fund.
- 5.2 The Council has partnered with **Eon Energy** for the duration of the scheme and this has been extended by direct award for 2018-19. The company provide £50 per tonne of carbon saved and carry out a turnkey service for the homeowners.
- 5.3 Quality of the works is a key element to the success of the insulation schemes and the Council provide project management, technical checking and quality assessment of the works.
- 5.4 The Highland programmes have been promoted in conjunction with **Home Energy Scotland** ensuring that any incentives and additional support available are offered to the householder and that there is no duplication of schemes.
- 5.5 A new partner arrangement will be tendered before the end of 2018.

6. Scheme Roll-Out Plan

- 6.1 The works for 2018-19 are to be concentrated in 2 areas, selected for project delivery to meet the requirements of the Scottish Government in implementation and budget spend:
- Hilton, Inverness
 - Tain and Seaboard villages
- 6.2 These areas have been assessed for the critical aspects of fuel poverty and house type to meet the requirements of the scheme.
- 6.3 Improvements will be intended to gain the best benefit for householders and it is possible that it may need to be supplemented with funding from the homeowner to ensure that the scheme will maximise its value across the Highlands, adding an element of flexibility.
- 6.4 The Highland scheme has sought to provide a free improvement to ensure that vulnerable households can be fairly treated. For the Swedish Houses a contribution had to be sought, but this is not requested for traditional homes.
- 6.5 The Scottish Government funding has remained consistent, but the ECO contribution has diminished and it is likely that a contribution will be requested for all homes in future programmes.

6.6 The Council has worked with Home Energy Scotland and the Scottish Government to have provision of interest free loans available to cover the contribution cost where this is practical, to improve inclusivity for the Highlands.

7. Energy Company Obligation (ECO) Changes

7.1 The funding support mechanism that is provided is a UK Government provision. The Energy Company Obligation (ECO) is changing in September 2018 and this will have implications for the Highlands.

7.2 ECO3² will be in place 2018-2022 and is a programme to deliver energy efficiency measures in homes across Great Britain. The scheme is focussed on delivery of affordable warmth to homes.

7.3 Changes to the scheme include:

- An increase of the range of benefits criteria for access to the funding
- A flexible eligibility element (Eco Flex)
- A greater rural factor for eligibility
- A greater first time central heating criteria (including storage heater replacement)
- An innovation target for solid wall insulation
- A multi-measure approach
- Renewable technology heating to be included (excluding any with RHI)

A quality mark scheme is to be mandatory for any measures.

7.4 The level of support that can be attracted to the Highlands is yet to be determined and this will become clear as part of the new tendering agreement for the Council energy efficiency programmes going forward.

7.5 The Council has put an **Eco Flex** statement in place and have received approaches from several suppliers in advance of the ECO3 provision. It is expected that this will assist a sector of households and this is being partnered with **Home Energy Scotland** and local communities to ensure the widest availability across the Highlands.

² https://beisgovuk.citizenspace.com/home-local-energy/eco3-2018-2022/supporting_documents/ECO3%20consultation.pdf

8. Energy Efficient Scotland

8.1 The Scottish Government has published long-ranging plans for a transformation of the energy efficiency of building in the Energy Efficient Scotland Routemap³ (May 2018). The vision is “By 2040 our homes and buildings are warmer, greener and more efficient”. There are 2 specific targets:

1. Removing poor energy efficiency as a driver for fuel poverty.
2. Reducing greenhouse gas emissions through more energy efficient buildings and decarbonising our heat supply.

8.2 Energy efficiency has been a national infrastructure priority since 2015 and this plan builds on the ambition of the Scottish Government to deliver the change necessary.

8.3 There are new targets for homes that will require to be met where technically feasible and cost effective:

- **By 2040 all Scottish homes must achieve an EPC rated C or above by**
 - Maximising the number of social rented homes achieving EPC **B** by 2032⁴
 - Private rented homes to EPC **E** by 2022, to EPC **D** by 2025, and to EPC **C** by 2030
 - All owner occupied homes to reach EPC **C** by 2040
- **All homes with households in fuel poverty are to reach an EPC rated C by 2030 and EPC rated B by 2040**

There are emerging standards for non-domestic buildings that will be of similar (or higher) standards.

8.4 These changes are part of a wider area strategic approach that will require the Council to set out a plan on how this is to be achieved along with the other measures that will lead to a decarbonised energy efficient Highlands through targeting local communities.

8.5 The Scottish Government is considering a duty on the Council to prepare and maintain Local Heat and Energy efficiency Strategy (LHEES). The Council are undertaking an initial focussed trial as part of a Scottish Government pilot.

8.6 The Council is well placed for this and are seen as a leader due to the combined work with the Planning and Energy teams on the West Highland Development Plan⁵ that has examined the energy options and integrated these into the strategy document.

8.7 LHEES will be a 20 year strategy and is likely to have resources allocated by

³ <https://www.gov.scot/Resource/0053/00534980.pdf>

⁴ For additional information please see EESSH2 consultation
<https://www.gov.scot/Resource/0053/00534991.pdf>

⁵ https://www.highland.gov.uk/info/178/local_and_statutory_development_plans/582/west_highland_and_islands_local_development_plan

the Scottish Government to help this duty to be carried out.

- 8.8 The LHEES will be the planning mechanism for all home energy efficiency schemes and has to consider all aspects of the transformation to an efficient and decarbonised area. This will require a whole system approach to the area and must aim to combine development, refurbishment and upgrading of buildings and systems to have a net improvement towards zero carbon.
- 8.9 An examination of energy use and waste heat is key to LHEES so that combined opportunities are recognised and employed. There will be a further consideration for electric vehicle charging and network grid management to ensure long-term needs are met.
- 8.10 This will require the Council to lead on ensuring that opportunities for combining investments, funding schemes and work packages are identified and properly coordinated to achieve the best outcomes. It is essential that the Council capture the synergy between new housing developments, Council Housing upgrading plans and the Scottish Government funded schemes so that there can be combined delivery patterns to link funding where possible.

9. Transformation Pilot for those “Willing to Act”

- 9.1 The Council has been given funding by the Scottish Government to pilot a drive to improve the energy efficiency in homes and businesses that are able to pay for the improvement in their premises.
- 9.2 The programme will target those who can afford to move to the new standards of the Energy Efficient Scotland Routemap. Advice and support will be provided by the Council in association with **Home Energy Scotland (HES)** and **Resource Efficient Scotland (RES)**.
- 9.3 A targeted and general campaign will commence in October 2018 and the pilot will run for a period of 2 years in preparation to be integrated into the Energy Efficient Scotland programmes that will deliver all changes.
- 9.4 The Council Energy Efficient Scotland ambassadors will navigate householders and businesses through the stages that lead to improvements, ensuring that they receive help and advice where necessary. In addition a trusted supplier network will be put in place and that quality is set and maintained in the provision to increase awareness and improve trust in available contractors.

10. Implications

- 10.1 **Resource**
The long-term scope of the resource requirements is still to be determined. The current programmes are to be met by the existing energy and sustainability team and additional funds have been provided for 2 posts for the transition pilot.

- 10.2 Legal
There are no legal implications of the scheme.
- 10.3 Community (Equality, Poverty and Rural)
- 10.3.1 The scheme is to offer a parity of measures across the Highlands and will target fuel poor and deprived areas as well as households with elderly occupants and children.
- 10.3.2 This report will assist in the delivery of affordable housing in a rural area. The actions contained within this report will assist in meeting part of the aims expressed within 'Local Voices/Highland Choices', namely that the Council will support children and adults to be free from poverty.
- 10.3.3 While all the above schemes have fuel poverty reduction as a stated aim, it is unclear how the Scottish Government's new fuel poverty definition will impact Highland. While the Eco Flex programme allows local authorities to define fuel poverty themselves, Scottish Government schemes will likely allocate funding using the new definition. It is unknown at the moment how Highland's recorded level of fuel poverty will change moving forward.
- 10.4 Climate Change/Carbon Clever
The scheme is intended to reduce emissions from the households in Highlands and carbon reductions will help towards tackling climate change and help towards a **Low Carbon Highlands**.
- 10.5 Risk Implications
Requirements for the schemes are time critical and the ability to engage with householders will pose risks to successful undertaking.
- 10.6 Gaelic
No impact.

Designation: Director of Development and Infrastructure

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