

The Highland Council

Agenda Item	3
Report No	CCWG/6/21

Committee: Climate Change Working Group

Date: 18th August 2021

Report Title: Energy Efficient Scotland: Area Based Scheme

Report By: Executive Chief Officer – Performance & Governance

1. Purpose/Executive Summary

- 1.1 This report provides a summary and update on the Council's Energy Efficient Scotland: Area Based Scheme (EES:ABS), which is a programme of work, funded by the Scottish Government and delivered by The Highland Council, to deliver various energy efficiency improvements to fuel-poor households across the region.

2. Recommendations

- 2.1 Members are asked to note the contents of this report.

3. Implications

- 3.1 Resource – The funding allocation includes funding to cover staff costs for those working on the programme. The existing team within the Climate Change & Energy Team will manage the programme and there is no cost implication to the Council.

- 3.2 Legal – There are no legal implications arising from this report.

- 3.3 Community (Equality, Poverty and Rural) – The programme is designed to target fuel poor households across the Highlands to offer energy efficiency measures to improve comfort levels and reduce heating costs.

There is currently no other long-term support to households who are fuel poor and vulnerable to living with the effects of cold. It is expected the majority of households qualifying for the EES:ABS programme will also be directly impacted by the COVID-19 pandemic, whether it be financially or through existing health concerns.

The EES:ABS programme allows additional support to be offered to eligible Highland residents, and care continues to be taken in line with government guidance to safeguard the household and community throughout the on-going COVID-19 pandemic.

- 3.4 Climate Change/Carbon CLEVER – the area-based scheme delivers significant carbon savings and enables householders to meet the challenges of climate change. The programme on average, has annual carbon savings of 20,897tonnes CO₂e making a significant contribution to the Council's ambition to deliver a carbon neutral region by 2025.

- 3.5 Risk – a critical risk to the programme is achieving scheme sign ups. To mitigate this risk, we are looking to undertake a marketing exercise and have updated the marketing strategy to reflect how the scheme can be promoted post-lockdown.

Support from Elected Members will be key to deliver the EES:ABS programme moving forward. Residents can often be wary when new funding opportunities arise; however, through both Council and Councillor endorsement, households should be provided with additional assurances and confidence as to the legitimacy and benefits of the offer.

If grant funding cannot be fully spent, it may reduce future funding awards to the Council which would restrict our ability to tackle fuel poverty across the region.

3.6 Gaelic – There are no Gaelic implications arising from this report.

4. Background

4.1 The Highland Council has been awarded Scottish Government funding to deliver the Energy Efficient Scotland: Area Based Scheme (EES:ABS) for the 9th consecutive year. Over the past 8 years, the scheme, which is managed by the Climate Change & Energy Team, has leveraged circa £32.8m of external funding to the Highlands to deliver energy efficiency measures including external wall insulation, cavity and loft insulation, solar PV, and air source heat pumps to approximately 3,000 privately owned and privately rented properties throughout the region. The programme is designed to tackle fuel poverty and improve domestic energy efficiency in privately owned and rented properties. The Energy Efficiency contractor appointed to deliver the works on behalf of The Highland Council is E.ON, who are based in the West Midlands.

4.2 Funding covers the cost of the installations, in the most part, although some works require a household contribution to meet any shortfall between installation cost and funding available.

Sources of funding can be summarised as follows:

- Scottish Government grant of ~£3.2m.
- [Energy Company Obligation Funding \(ECO\)](#) – under ECO, medium and larger energy suppliers fund the installation of energy efficiency measures in British households. Each obligated supplier has an overall target based on its share of the domestic energy market in Britain – the suppliers work with installers to introduce specific efficiency measures into homes.
- [Warm Homes Fund](#) – Affordable Warmth Solutions and National Grid established £150 million funding to support local authorities to address some issues affecting fuel poor households. The Highland Council submitted a category 2 bid for rural homes and communities to provide a provision to install 300 air source heat pumps to Highland residents (owner occupier and private rented) which combined with the Scottish Government Grant and ECO funding will result in a fully funded installation. This funding stream ends in March 2022.

Scottish Government funding also covers Highland Council staff costs at the relevant charge-out rates.

4.3 For the first four years, the programme focused on external wall insulation (EWI), and in year 5 it included a solution for Swedish Timber properties, cavity wall and loft insulation. The offer was further expanded in year 7 (2019/20) beyond insulation to offer first time central heating to properties on electric storage heating. A first-time central heating system is delivered to householders through the installation of an air source heat pump, new radiators, hot water cylinder and controls as part of the EES:ABS programme. This is available to all households which meet the scheme eligibility criteria. In year 8, the scheme expanded the offering to include Solar PV systems and battery storage for up to 18 properties, which meet the scheme eligibility criteria (outlined in **Appendix 1** to this report).

4.4 It is intended to continue to build and expand the scheme – to enable this, the programme team are looking at better engaging with communities to assess the demand and impact of interventions.

5. Progress to date

5.1 The below table outlines installation targets for years 8 and 9 of the programme:

Measure	Year 8 (2020/21)	Year 9 (2021/22)
External Wall Insulation	31	26
Cavity Wall Insulation	154	54
Loft Insulation	193	79
First time central heating	190	65
Heating controls	190	0
ASHP (Re-HEAT)		50
Solar PV + storage	50	18
Second measure uplift		98
Total	808	390

Although the total number of measures has decreased from 2020/21 to 2021/22, the estimated spend has increased for Year 9. The total grant funding from the Scottish Government in 2020/21 was £3,168,000 and for 2021/22 it is £3,232,666. This is largely as a result of increases in specific measure costs, due in part to successful lobbying by the Highland Council to take cognisance of logistical challenges unique to the region.

5.2 COVID-19 has had a significant impact on the delivery of the 2020/21 programme, which resulted in the Scottish Government granting an extension for delivery to all local authorities. The revised deadline for spend has been extended to September 2021. The 2020/21 targets for both cavity wall and loft insulation are progressing well towards the September target.

Measure	Year 8 (2020/21)	Year 8 (2020/21) Progress	% Variation to Grant
External Wall Insulation	31	12	38.7%
Cavity Wall Insulation	154	67	43.5%
Loft Insulation	193	131	67.9%
First time central heating	190	24	12.6%
Heating controls	190	24	12.6%
Solar PV	50	0	0.0%
Total	808	258	31.9%

5.3 However, the installations for EWI, first time central heating (including heating controls) and Solar PV are unlikely to achieve the September deadline, for several reasons. The introduction of PAS 2035:2019, the new energy efficiency retrofit standard for ECO-funded measures, is a framework that sets out an updated specification for the energy retrofit of domestic buildings. The introduction of PAS 2035:2019 in July 2021 has resulted in several new gated processes before identification of the required works and associated costs, increasing the timelines from survey to installation across all measures. As a result, the installation of external wall insulation has ceased whilst identification of resources and practices are reviewed.

5.4 In addition, there are shortages of qualified individuals and companies able to carry out the PAS 2035:2019 assessments, again impacting upon the timelines. There is also uncertainty as some measures may not be able to be implemented due to the revised specifications as required under the new standard. We are working with the Energy Efficiency contractor and the Scottish Government to agree options.

5.5 First time central heating works were only able to resume in mid-March 2021 due to the restrictions to access and work within people’s properties before that date. The works ceased again at the beginning of July for two weeks due to PAS 2035:2019, but have now resumed.

5.6 Below is a draft outline for completion of 2020/21 programme and proposed delivery of the 2021/22 programme. The programme will be subject to continual review and delivered in accordance with Scottish Government guidelines.

Activity	Start date	End Date	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22
Completion of 19/20 works		30/6/21	█									
Introduction of PAS 2035	1/07/21			█								
Completion of 2020/21 works		30/11/21			█	█	█	█	█			
Delivery of 2021/22 programme	01/12/21	30/3/22							█	█	█	█

5.3 To encourage uptake to the programme, letters have been sent to properties across the Highlands, inviting householders to make contact and express interest in the scheme. The programme team have begun targeted marketing activities with radio and newspaper campaigns, and have various in-person events scheduled later in the year (subject to COVID-19 restrictions).

5.4 The main challenges in respect of delivery of the programme can be summarised as follows:

- Obtaining signups for the programme can be challenging, for a number of reasons. In previous years some measures did not require a contribution from the property owner, whereas now, in some instances, there is a requirement. The economic impacts of COVID-19 have also impacted on some homeowners’ ability to pay a contribution.
- Funding available per household – standardised funding levels are set by the Scottish Government which poses a challenge for Highland delivery as installation costs are considerably higher. Anecdotal information suggests that on average it costs £2,500 more to deliver improvements for a property in Highland, compared to Edinburgh. This is largely as a result of higher costs to bring contractors and supplies to Highland. However, it is important to note that local workforce is utilised whenever possible.
- Progress has been compromised by the impact of COVID-19 and the introduction of PAS 2035:2019. E.ON (the Energy Efficiency contractor) have revised their Programme of Works to reflect these challenges and are confident that targets will be met; however, there a risk that there will be slippage based on a range of factors out with the Council’s direct control. The impacts of the change in specifications have not yet been fully transferred to installations, and there may well be increased timelines and costs particularly relating to External Wall Insulation. We have factored these risks into our planning and marketing strategy and will inform stakeholders of potential implications once they are clearer.
- There is a paucity of knowledge both locally and nationally (Scotland) around the requirements and impacts of PAS 2035:2019. To minimise the local impact, we have identified the internal knowledge gaps. Training will be initiated in the short and medium

term to ensure that we have the requisite skills and evidence to be able to drive the local agenda and influence the national dialogue.

6. Key Next Steps

6.1 Over the course of the coming months, the below have been identified as critical next steps in the delivery of the programme:

- Continue marketing to increase interest and signups to the programme. We will do this by:
 - Seeking new and innovative ways to promote the scheme;
 - Analysing existing data to identify potential sign ups, either for new or additional measures.
- Finalise area selection for 2022/23 applications;
- Continue to source and work with local contractors;
- Look at other energy efficiency measures which could provide support and increase comfort levels for Highland residents; and
- Align the EES:ABS programme with Housing capital plans to deliver a collaborative area based programme which can support privately owned and rented and council properties to achieve best value.

7. Benefits of the Programme

7.1 As detailed above, the EES:ABS programme provides significant grant funding to Highland residents to undertake energy efficiency works (insulation measures and/or first time central heating) to their homes.

The programme aims to:

- Target fuel-poor areas, and in particular:
 - Provide support to those in fuel and extreme fuel poverty; and
 - Support households who are vulnerable to the effects of living in a cold home.
- Provide significant savings to householders' fuel bills;
- Reduce carbon emissions.

The programme has resulted in a number of benefits to householders across the Highland region, including:

- lower fuel bills;
- increased home comfort levels;
- in many instances, improvements to the aesthetics of the home; and
- in some instances, reduction in noise levels

All measures come with manufacturers warranties; the length of warranty varies depending on the specific measure(s) installed.

7.2 A significant number of households throughout the Highlands will directly be impacted as a result of the COVID-19 pandemic. The EES:ABS programme can offer support to these households by

offering energy efficiency measures which can lower heating and energy costs whilst improving living conditions for the household.

Designation: Executive Chief Officer – Performance & Governance

Date: 21st July 2021

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Appendix 1 - Eligibility

Energy Efficient Scotland: Area Based Scheme

Eligibility Criteria

The below table outlines current measures available as part of The Highland Council's Energy Efficient Scotland: Area Based Scheme (EES:ABS) and the eligibility criteria.

Eligibility Criteria	Measure	External Wall Insulation	Cavity Wall Insulation	Loft Insulation	First Time Central Heating
Your property is Council Tax Band A, B or C (Band D is eligible where the EPC rating is E, F or G)		✓	✓	✓	✓
Your home is either owned by you or privately rented – must be your main residence and cannot be a second home or B&B		✓	✓	✓	✓
Your property is of solid wall construction		✓			
Your property must not be in a conservation area		✓			
Your property must not be a listed building		✓			✓
Your property has electric storage heating ¹					✓
Alternatively, you could qualify if you meet ECO Flex requirements			✓	✓	

¹ Other fuel types may be eligible, please contact for more information.

Energy Company Obligation: Flexible Eligibility Eligibility Criteria

To unlock additional funding, the household must meet the following criteria:

- Your household must meet the income threshold (see table below)²

Income threshold table

Number of people in the household	Household income (after housing costs) per year	Household income (after housing costs) per week
1 adult	£10,695	£206
1 adult and 1 child	£14,030	£270
1 adult and 2 children	£17,250	£332
1 adult and 3 children	£20,700	£399
1 adult and 4 or more children	£24,150	£465
2 adults	£17,480	£337
2 adults and 1 child	£20,930	£403
2 adults and 2 children	£24,265	£467
2 adults and 3 children	£27,715	£533
2 adults and 4 or more children	£30,820	£593

- Your household is in fuel poverty **OR** a member of the household is vulnerable to the effects of living in a cold home.

Fuel Poverty

The household must either:

- Spend more than 10% of its net income after housing costs on household fuel
- Have an EPC rating of D-G, with no connection to the gas grid
- Does not have a working central heating system

Vulnerable to the effects of living in a cold home

Households where one or more person has a health condition which could be exacerbated by living in a cold home are eligible.

Please visit www.highland.gov.uk/energyefficientscotland or contact EES-ABS@highland.gov.uk for more information.

² Please contact if your household composition is not listed, as others may be eligible.