

The Highland Council

Agenda Item	8.
Report No	CCC/18/23

Committee: Climate Change

Date: 5 October 2023

Report Title: Energy Efficient Scotland: Area Based Scheme Update

Report By: Interim Depute Chief Executive

1. Purpose/Executive Summary

- 1.1 This paper provides an overview of the Council's Energy Efficient Scotland: Area Based Scheme (EES:ABS) which is funded by the Scottish Government and the proposal for the 2023/24 programme.
- 1.2 It also covers Energy Company Obligation (ECO) funding opportunities to support Highland residents (owners, and private and social rented tenants) to access grant funding to undertake energy efficiency improvements to their home.

2. Recommendations

- 2.1 Members are asked to:
 - i. **Note** the contents of this report;
 - ii. **Support** the promotion of external funded opportunities across the region; and
 - iii. **Note** opportunities to expand Energy Company Obligation funding to Council housing stock.

3. Implications

- 3.1 Resource – a dedicated team sit within the Climate Change & Energy Team to manage and co-ordinate the delivery of externally funded works. Staff costs are covered by the Scottish Government grant funding allocation. There is no cost implication to the Council, however there are cost saving benefits.
- 3.2 Legal – There are no legal implications arising from this report.
- 3.3 Community (Equality, Poverty, Rural and Island) – The EES:ABS programme and Energy Company Obligation funding is designed to target fuel poor households across the region to provide energy efficiency measures to:
 - improve comfort levels
 - improve Energy Performance (EPC) rating
 - reduce carbon footprint

- reduce heating costs (where possible/ dependant on household usage and behaviour)

Scottish Government figures indicate 33% of households in Highland are experiencing fuel poverty compared to the national average of 24%. 22% of households in Highland are facing extreme fuel poverty, nearly double the national Scottish average of 12%¹.

Under the 2022/23 EES:ABS programme, 87% of air source heat pump installs and 90% of solar PV with battery storage installs were to households which are classed as extreme fuel poor.

- 3.4 Climate Change / Carbon Clever – The EES:ABS programme and ECO funding delivers energy efficiency measures which allows Highland residents to reduce their carbon footprint and support the Council in achieving Net Zero.
- 3.5 Risk – achieving householder sign up has posed a significant risk in recent years due to a number of factors including awareness and costs. To mitigate this risk the team continue to work with Corporate Communications to raise awareness of the schemes and undertake various marketing activities. The Council has also secured additional external grant funding through SSE Renewables to provide assistance to extreme fuel poor households to remove/ reduce householder contributions.

The team is currently exploring different external funding opportunities which can align and expand on the work delivered under the EES:ABS programme across all tenures. This will support the Council's object to tackle fuel poverty across the region and assist in a Just Transition for all.

- 3.6 Health and Safety (risks arising from changes to plant, equipment, process, or people) There are no Health and Safety risks arising, the energy saving schemes are installed by a third party.
- 3.7 Gaelic – There are no Gaelic implications arising from this report.

4. 2023/24 EES:ABS programme

- 4.1 EES:ABS is designed to reduce fuel poverty and improve domestic energy efficiency in support of Scottish Government targets. The Highland Council has been awarded circa £2.4m from the Scottish Government to deliver the 2023/24 programme. In addition to the Scottish Government grant, the Council was awarded £1m of grant funding from SSE Renewables in October 2022, to support the delivery of the EES:ABS programme. The Scottish Government and SSE Renewable grant is available for owner occupiers and private rented properties. Grant funding cannot be used to cover installation costs for social rented properties (either Council or Registered Landlord).
- 4.2 Energy Efficiency measures funded as part of the 2023/24 programme include:
- Insulation
 - Air Source Heat Pumps
 - Solar Panels with battery storage

¹ <https://www.gov.scot/binaries/content/documents/govscot/publications/statistics/2021/02/scottish-house-condition-survey-local-authority-analyses-2017-2019/documents/scottish-house-condition-survey-2017-2019-local-authority-tables/scottish-house-condition-survey-2017-2019-local-authority-tables/govscot%3Adocument/scottish-house-condition-survey-2017-2019-local-authority-tables.pdf>

All measures come with manufactures' warranties; length of warranty varies depending on measure. It is also the intention to offer whole house retrofit (where technically feasible), taking the 'fabric first' approach. Appendix 1 provides more detail on the 2023/24 Programme.

- 4.3 Due to the levels of fuel and extreme fuel poverty in the region, the Council is supporting residents to undertake extensive upgrades to their homes (subject to eligibility and survey) to make a meaningful difference for residents. Works will improve a property's EPC rating and should also support households to reach compliance with Scottish Government standards and contribute towards achieving Net Zero.
- 4.4 The Highland Council will be working with Union Technical Services Ltd who has been awarded the contract to deliver the 2023/24 EES:ABS programme. Union Technical are an approved ECO Flex installer for the Council and we look to build on the work they have already undertaken in the region and leverage significant external funding to support projects.

5. Collaboration

- 5.1 Energy Company Obligation (ECO) funding is available to social rented properties with a Standard Assessment Procedure (SAP) rating E-G, to provide part funding for energy efficiency improvements including insulation, heating upgrades and solar PV. Where innovative solutions are identified, ECO funding will cover social rented properties with SAP rating D. Innovative solutions attract additional funding uplifts. This is an opportunity for the Council to access significant funding to undertake much needed works to Council properties as the Council works towards EESSH2 and Net Zero, which will require substantial investment.
- 5.2 The Climate Change & Energy team, who have many years' experience delivering multi measure contracts delivering energy efficiency improvements in homes across the entire region, are collaborating with Highland Council housing section to look at opportunities to align the EES:ABS programme and ECO funding with Housing Capital plans. This will allow the Council to deliver collaborative area based programmes across a range of tenures to achieve best value and tackle fuel poverty. Maximising funding opportunities for the Council by leveraging available government grants and funding from private sector.
- 5.3 The Scottish Government EES:ABS grant includes an enabling fund which the Council can utilise towards project development costs, i.e. planning, surveys, scaffolding and staff costs. Local Heat and Energy Efficiency Strategies (LHEES) will set out the Council's approach for heat and energy efficiency planning and delivery which will support collaboration and future ways of working.

Designation: Interim Depute Chief Executive

Date: 13.09.2023

Author: Isla MacMillan, Project Manager and Neil Osborne, Climate Change & Energy Manager

Appendices: Appendix 1 – 2023/24 ABS Programme
Appendix 2 – ECO Funding – Caol Pilot

Appendix 1 – 2023/24 ABS programme

The Highland ABS programme has been developed by analysing areas, looking at fuel poverty, house types and potential measures which led to area selections. An evidence-based approach was taken utilising information available to the Council from energy and social databases as well as local knowledge.

Reference points:

- Home Analytics database
- Council specific databases and modelling tools
- SSEN vulnerability mapping tool

Data from Home Analytics has been cross referenced against the Council's Housing database and council tax data and filtered based on:

- Tenure: privately owned/ rented
- Council: Tax band A – D
- Energy Performance Certificate (EPC) rating: D and lower

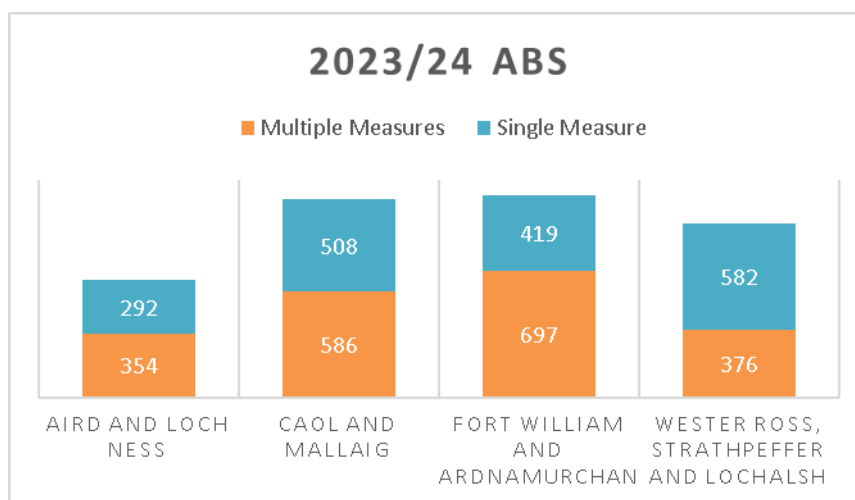
Prioritisation has then been given to uninsulated, off gas area properties which are likely to be classed as fuel or extreme fuel poor.

For the delivery of the 2023/24 ABS programme, the Council has selected the below 4 target wards:

- Wester Ross, Strathpeffer & Lochalsh
- Aird & Loch Ness
- Caol & Mallaig
- Fort William & Ardnamurchan

The 2023/24 programme takes a fabric first approach and is seeking to increase the number of External Wall Insulation (EWI) delivered. All measures proposed will be offered in each Council Ward. Multiple measures will be offered where feasible and financially viable to support householders in reaching Scottish Government target of EPC rating C by 2030.

The graph below illustrates the number of properties which could be eligible for single or multiple measures within each ward.

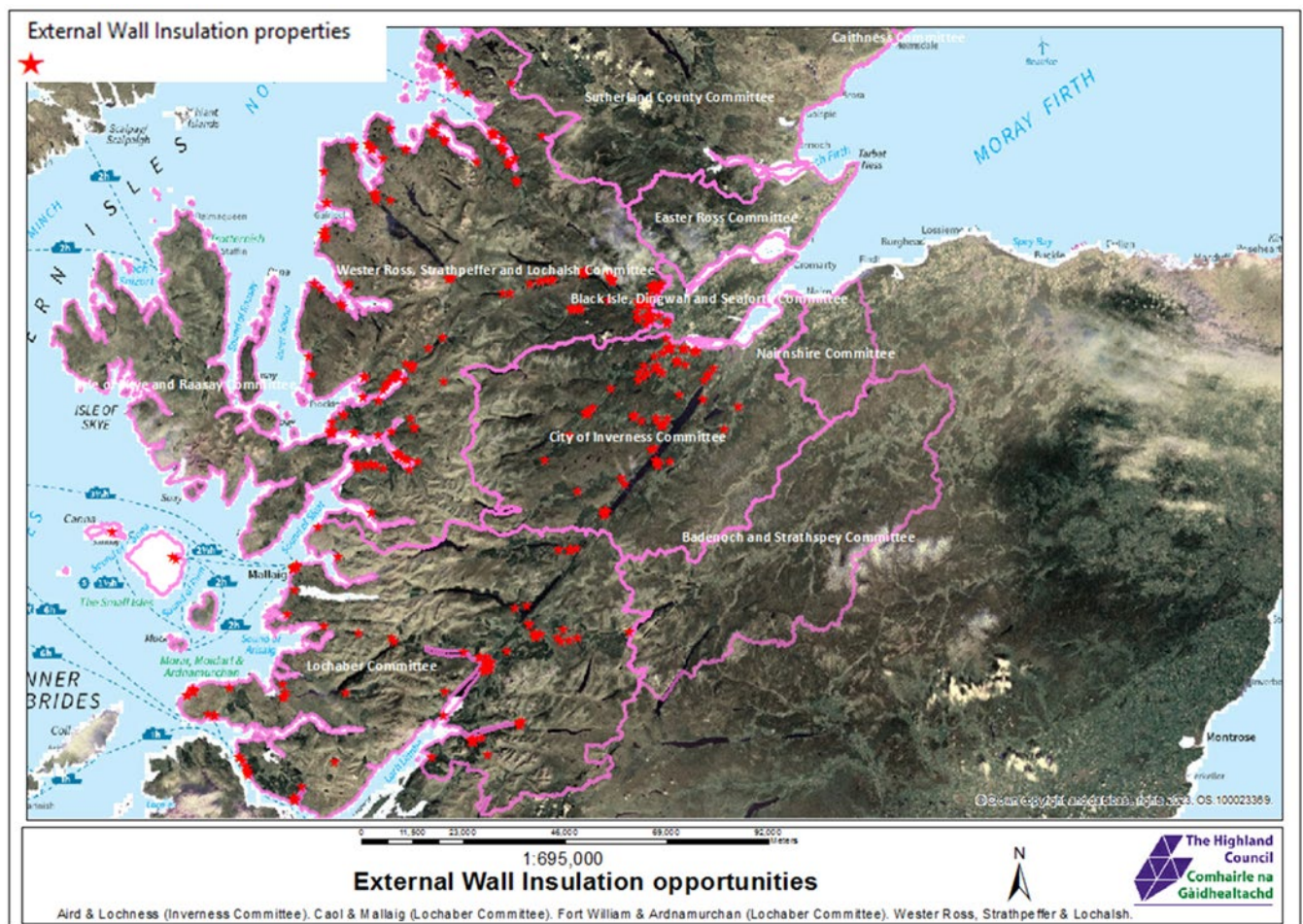


Energy efficiency opportunities in each of the target wards is outlined in the table below.

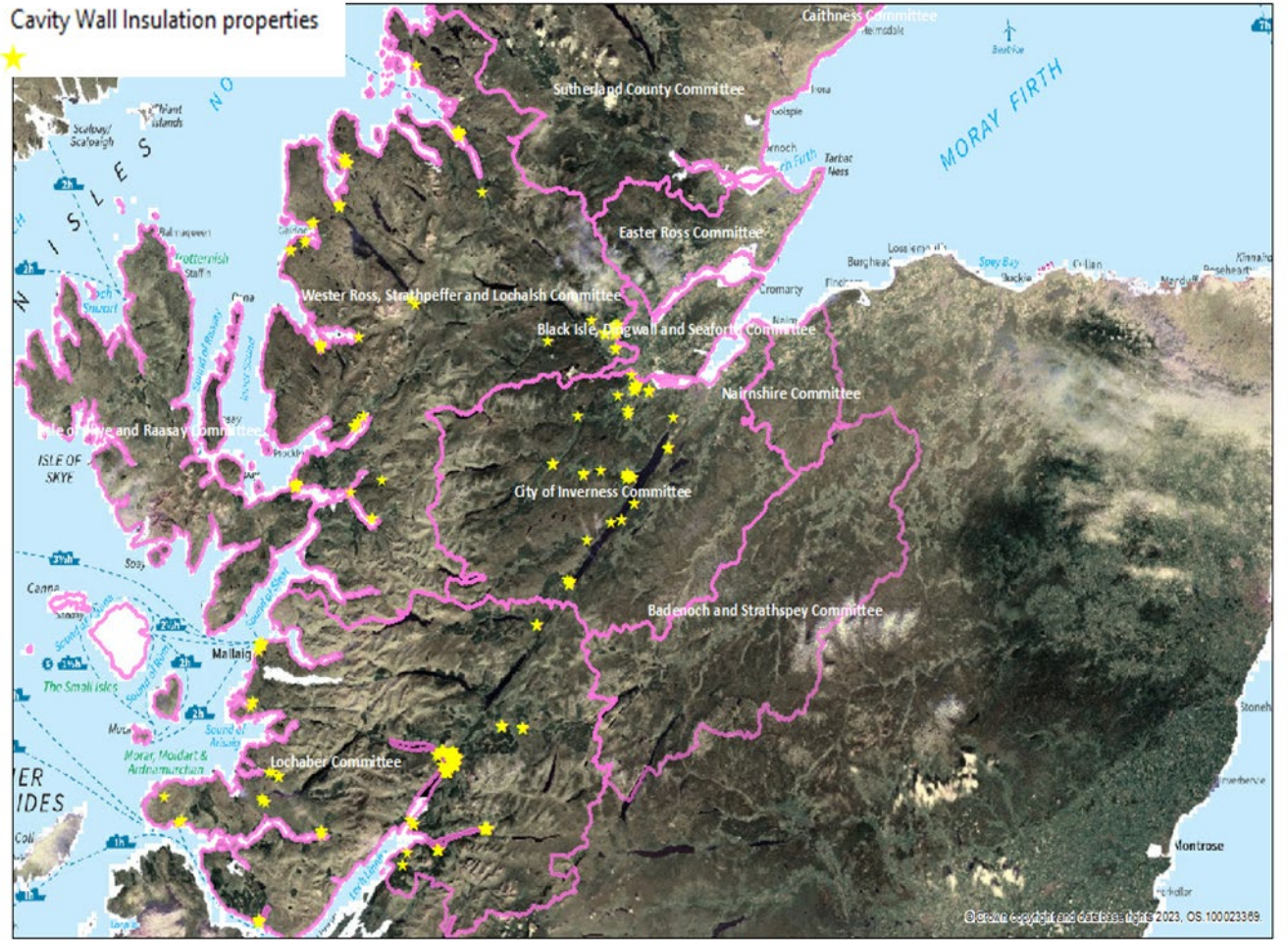
Ward	External Wall Insulation (EWI)	Cavity Wall Insulation (CWI)	Loft Insulation (LI)	Solar PV	Air Source Heat Pump (ASHP)	Totals
Wester Ross, Strathpeffer & Lochalsh	245	128	286	356	362	1,377
Aird & Loch Ness	155	90	253	280	313	959
Caol & Mallaig	76	249	391	542	476	1,734
Fort William & Ardnamurchan	68	253	514	609	543	1,987
	544	720	1,444	1,787	1,694	6,057

Data from Home Analytics

Single measures have been plotted on GIS for the 4 targets areas (maps below).



Cavity Wall Insulation properties



0 11,600 23,200 46,400 69,600 92,800 Meters

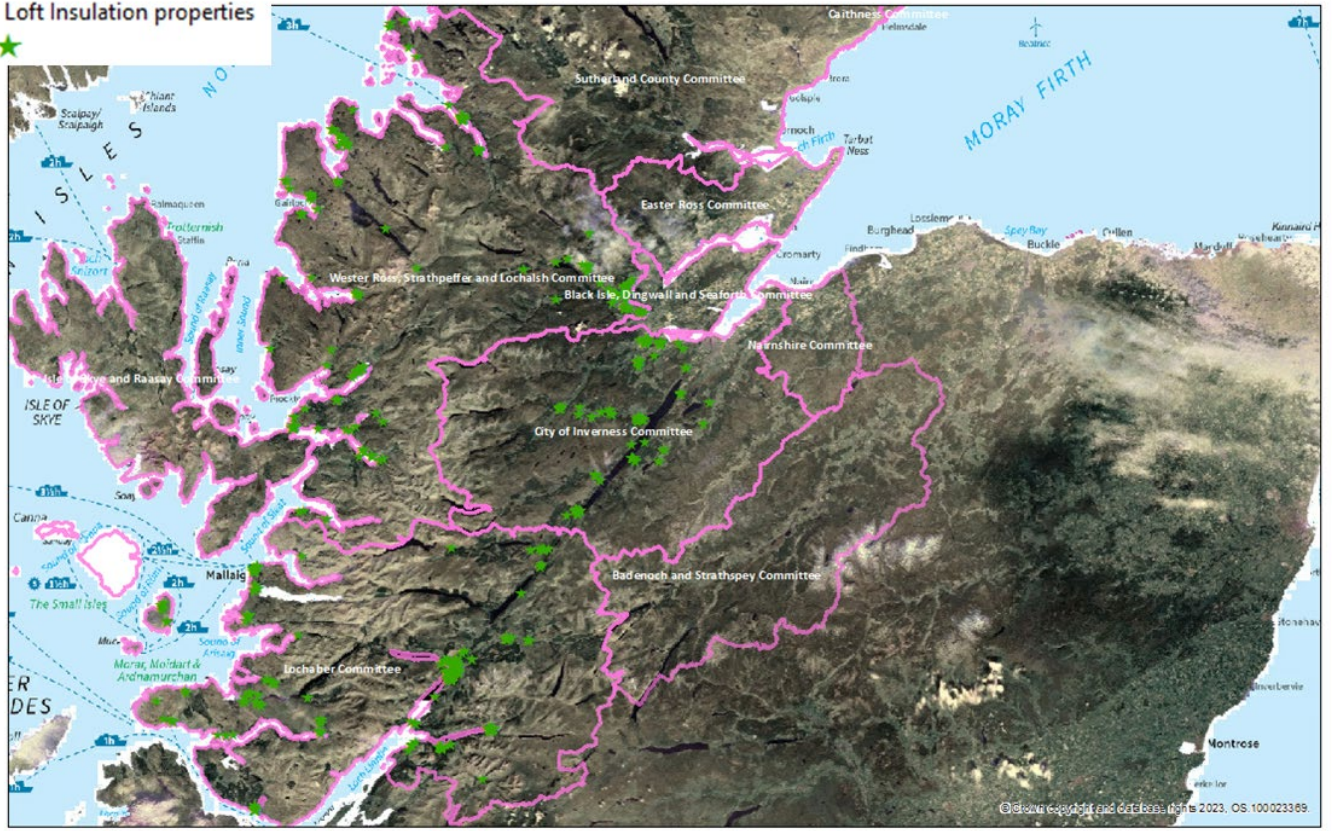
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Cavity Wall Insulation opportunities

Aird & Lochness (Inverness Committee), Caol & Mallaig (Lochaber Committee), Fort William & Ardnamurchan (Lochaber Committee), Wester Ross, Strathpeffer & Lochalsh.



Loft Insulation properties



0 11,800 23,600 47,200 68,800 92,000 Meters

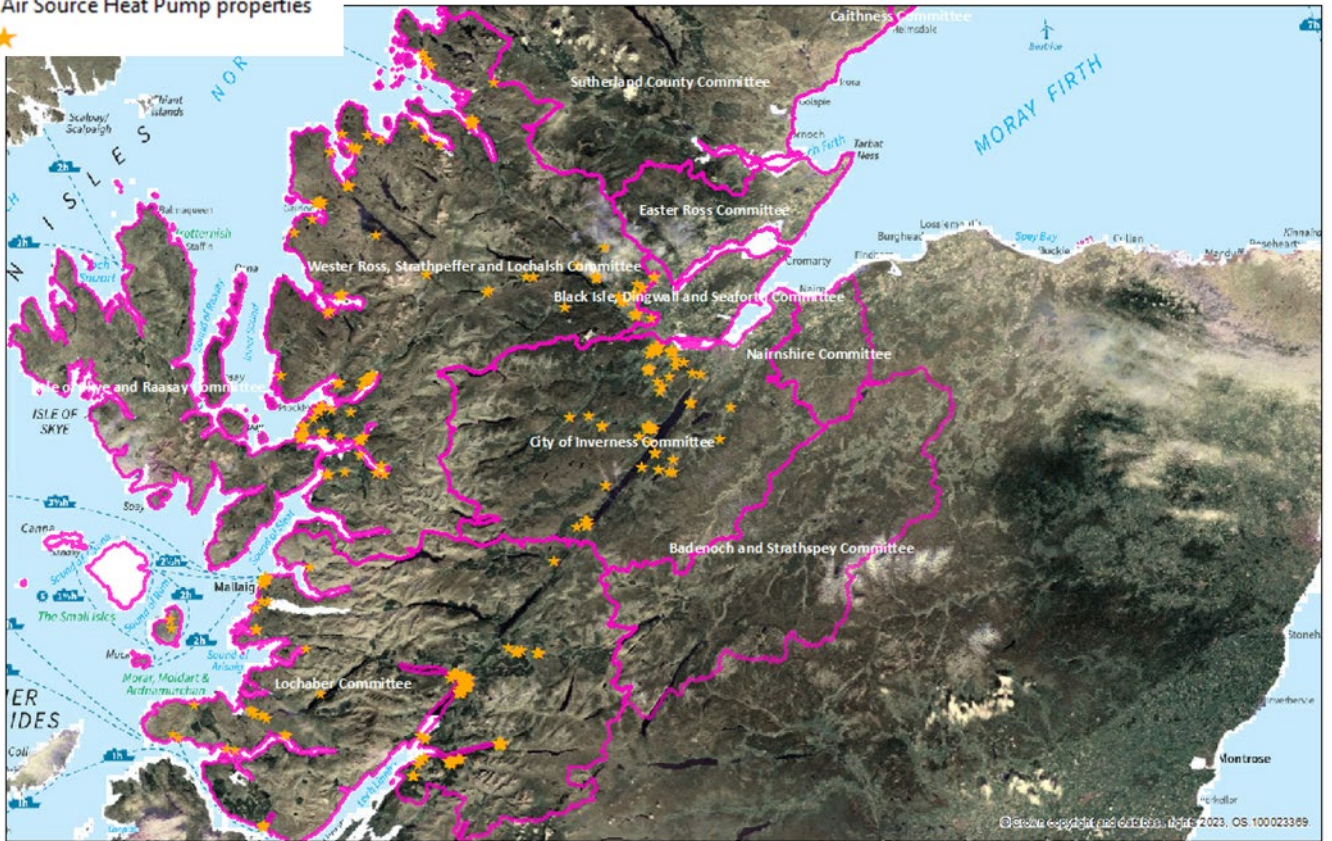
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Loft Insulation opportunities

Aird & Lochness (Inverness Committee). Caol & Mallaig (Lochaber Committee). Fort William & Ardamurchan (Lochaber Committee). Wester Ross, Strathpeffer & Lochalsh.



Air Source Heat Pump properties



0 11,800 23,600 47,200 68,800 92,000 Meters

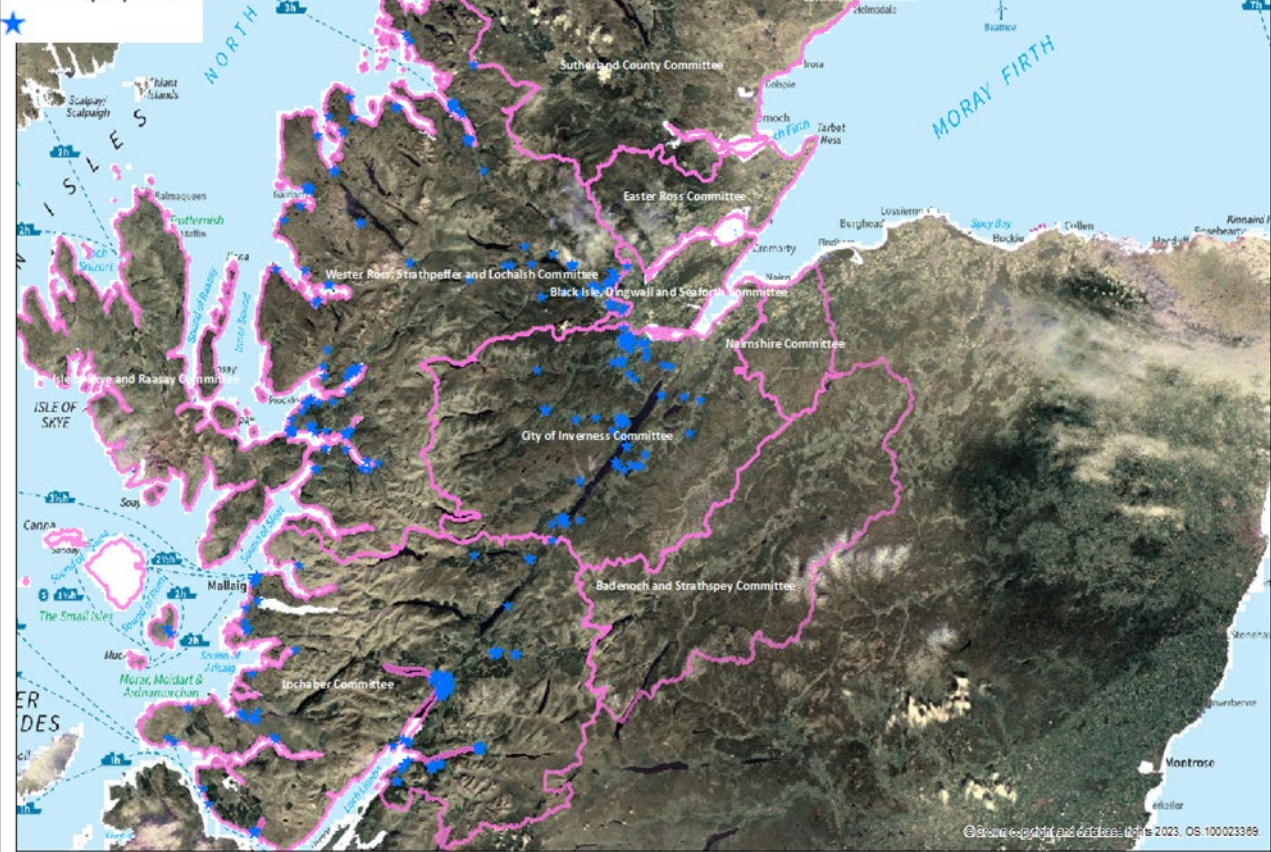
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Air Source Heat Pump opportunities

Aird & Lochness (Inverness Committee). Caol & Mallaig (Lochaber Committee). Fort William & Ardamurchan (Lochaber Committee). Wester Ross, Strathpeffer & Lochalsh.



Solar PV properties



0 11,800 23,600 47,200 69,000 92,000 metres

1:695,000

Solar PV opportunities

Aird & Lochness (Inverness Committee), Caol & Mallaig (Lochaber Committee), Fort William & Ardnamurchan (Lochaber Committee), Wester Ross, Strathpeffer & Lochalsh.



Appendix 2 – Energy Company Obligation Funding – Caol Pilot

Highland Council faces significant challenges undertaking the required energy efficiency upgrades to Council Houses to ensure compliance with EESSH2. Changeworks conducted an analysis of all Council Houses, outlining required upgrades to stock and estimated costs to upgrade all stock. This analysis highlighted the scale of the work required and the significant capital investment. The capital investment required far exceeds available budget within the Housing Revenue Account (HRA).

The Council has a number of legal/ statutory obligations:

- Energy Efficiency Standard for Social Housing (EESH2)
- Local Heat and Energy Efficiency Strategies (LHEES)
- Net Zero Strategy
- Our Future Highland 2022-2027
- Local Housing Strategy
- Tackling Fuel Poverty

To support the Council working towards, and meeting the above legal/ statutory obligations, the Council must consider all options available. To allow the Council to progress with required energy efficiency works the Council must seek external investment and funding where possible to support delivery. One option to consider is Energy Company Obligation (ECO) funding.

ECO funding will allow the Council to access significant levels of external funding to undertake energy efficiency works on eligible social properties. Several Council owned Swedish Timber properties have been identified in Caol as part of a pilot project, which is currently at feasibility stage.

The pilot will undertake a whole house retrofit offering:

- External Wall Insulation
- Loft Insulation
- Air Source Heat Pump
- Solar PV with battery storage

Five properties have been surveyed and concept design reports produced for each, outlining proposed options and scope.

Next steps

- Council to agree technical specifications and scope of work with the contractor
- Contractor to submit revised project costs and outline ECO funding available
- Review costs/ availability of ECO funding internally and look for opportunities to align with the EES:ABS programme
- Outline proposal to Executive Leadership Team outlining capital cost per property and projected level of funding
- Prepare business case for procurement