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Item 6

20th August 2019



Glasgow City Council

Neighbourhoods, Housing and Public Realm City Policy Committee

Report by Executive Director of Regeneration and the Economy

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AFFORDABLE WARMTH PROGRAMME: PROPOSED CHANGES TO THE HOME ENERGY EFFICIENCY PROGRAMME – AREA BASED SCHEMES (HEEPS-ABS) FROM 2020/21 AND IMPLEMENTED CHANGES TO ENERGY COMPANY OBLIGATION REQUIREMENTS

Purpose of Report:

To inform members of the proposed changes to the Home Energy Efficiency Programme – Area Based Scheme (HEEPS-ABS) Programme from 2020/21 and implemented changes to Energy Company Obligation requirements.

Recommendations:

Committee is requested to consider the proposed changes to the HEEPS Area Based Scheme and the implemented changes to the Energy Company Obligation requirements.

Ward No(s):

Citywide: ✓

Local member(s) advised: Yes No consulted: Yes No

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1 Background to Home Energy Efficiency Programme for Scotland (HEEPS)

- 1.1 The Scottish Government's Home Energy Efficiency Programme for Scotland: Area Based Schemes (HEEPS: ABS) was introduced in April 2013 as a successor to the Universal Home Insulation Scheme (UHIS). It is an area based approach to deliver insulation measures to owner occupied and private landlord owned properties. It is supported by funding from the Scottish Government and is delivered by local authorities. This is the seventh year of this programme.
- 1.2 HEEPS: ABS works alongside the UK energy efficiency Energy Company Obligation (ECO) funding, ensuring Scotland levers in its share of ECO funding to help householders install a range of energy efficiency measures. Changes to the ECO criteria were introduced in October 2018 (see paragraph 4).
- 1.3 The Scottish Government's objectives in introducing HEEPS: ABS are to:-
- upgrade Scotland's housing stock
 - tackle fuel poverty
 - reduce carbon emissions
 - lever in Energy Company Obligation funding
 - support the local economy and sustainable local economic development

2 Tackling Fuel Poverty in Glasgow – Our Strategic Approach

- 2.1 Glasgow's Housing Strategy states the Affordable Warmth strategic priority is to tackle fuel poverty, energy inefficiency and address climate change.
- 2.2 As part of this, an Affordable Warmth Strategy, approved by the Executive Committee on 19 January 2017, has been produced setting out Glasgow's approach to tackling fuel poverty in domestic households. In addition, the action plan links to the Scottish Government's Sustainable Housing Strategy and Energy Efficiency Standard for Social Housing and to Glasgow City Council's Sustainable Glasgow Initiative, Energy and Carbon Masterplan, Resilience Strategy and Climate Change Strategy. The award of HEEPS: ABS funding assists Glasgow to deliver the outcomes of these strategies/plans.
- 2.3 The Scottish House Condition Survey 2017 estimates that approximately 61,000 households in Glasgow are currently fuel poor, where households spend more than 10% of their disposable household income on fuel costs. This equates to approximately 21% of Glasgow's households with approximately 7% of this group in extreme Fuel Poverty i.e. spending more than 20% of their income on fuel costs.

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2.4 In line with new Scottish Government guidelines to identify fuel poor households and ECO funding criteria, area based schemes in Glasgow will be delivered in:-

- areas with the lowest Scottish Index Multiple Deprivation 2016 (Appendix 1)
- areas in Council Tax Band A-C and Tax Band D in certain conditions
- areas of low income households and fuel poor households in the City
- addressing areas missed out of the RSLs investment programmes
- Identifying areas where people are living in vulnerable conditions to the cold

The project areas' selection will align with the objectives and targets from Glasgow's Housing Strategy Affordable Warmth Action Plan and the objectives of the Local Heat and Energy Efficiency Strategy.

2.5 The HEEPS: ABS scheme will allow owner occupiers and private landlords to participate in wholly owned project areas delivered by the Council including non-traditional type housing. In addition, the Council also assists owners to participate in RSL improvement schemes where there reside in mixed tenure blocks.

2.6 As part of Glasgow's HEEPS: ABS projects, both Home Energy Scotland and our (contracted) energy advice service provider will attend public meetings to offer support to projects by giving householders the opportunity to benefit from access to a range of additional services including bespoke energy advice in the comfort of their own home. The energy provider will also offer a follow up visit.

3 Fuel Poverty (Scotland) Act 2019

3.1 The Scottish Parliament passed the Fuel Poverty (Scotland) Act 2019 on the 11th June 2019 and received Royal Assent on 18 July 2019. The Act's objective is to eradicate fuel poverty. The Act has a number of provisions covering the setting of targets to eradicate fuel poverty, a new definition of fuel poverty and the requirement of the Scottish Government to prepare a Fuel Poverty Strategy. The key target is that by 2040 no more than 5% of households in Scotland are in fuel poverty and no more than 1% are in extreme fuel poverty. Interim targets have been set for 2030 and 2035.

3.2 The new fuel poverty definition takes a two stage approach. The first stage considers whether fuel costs exceed 10% of household income after housing costs (and 20% in the case of extreme fuel poverty). The second stage entails deducting fuel costs from household income and assesses if households have sufficient income to maintain an

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‘acceptable standard of living’ once housing and child care costs are deducted, taking account of any income from care and disability benefits. The ‘acceptable standard of living’ is based on the ‘minimum income standard’ (MIS) that is determined by the Centre for Research in Social Policy at Loughborough University.

3.3 In order to set out the approach to meeting the targets the Scottish Government must prepare a Fuel Poverty Strategy and produce interim reports at agreed times over the period to 2040. In order to monitor the progress to 2040, the Act establishes an independent Fuel Poverty Advisory Panel to monitor progress. Consultations continue with respect to the Fuel Poverty Strategy.

4 Home Energy Efficiency Programme for Scotland: Area Base Schemes: Changes to the criteria

4.1 From 2018 the Scottish Government introduced changes to Private Landlord access to grant funding. Changes implemented are;

- All private landlords will be eligible for funding if they have three or less properties in their ownership other than their main residence
- Individuals with four or more properties are **not** eligible
- Properties funded in the 2017/18 or earlier ABS programmes will be disregarded
- Where they are eligible the individual/landlord is only ever allowed one grant contribution in Scotland. A full grant is available for that property.

4.2 We will target fuel poor areas beginning with those households in most need of assistance. The Scottish Government requires evidence to support the choice of area and measures being put forward to meet the funding criteria.

4.3 From 2019/20 areas will not be targeted solely because of the construction type is non-traditional (no fines, British Iron and Steel Federation (BISF) etc.). Areas will be targeted on the basis of fuel poverty of which one characteristic may be the house type.

4.4 The Scottish Government is working with COSLA and intends to seek the views of Councils about developing a framework from 2020/21 for HEEPS delivery over several years, through multi-year funding framework. The framework will enable multi-year delivery plans to be developed to support the objectives of the Council’s Local Heat and Energy Efficiency Strategy. Discussions are currently in progress to phase out the carry forward provision but this has yet to be clarified by the Scottish Government.

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5 Energy Company Obligation Funding and Statement of Intent

- 5.1 Energy Company Obligation (ECO) is placed on energy providers in the UK Government to complement and assist funding energy efficiency measures. The scheme is now solely focused on targeting vulnerable and low income households.
- 5.2 There is a requirement for the Council to publish a signed Statement of Intent (SOI) which outlines Glasgow City Council's approach to maximising ECO funding across the City for fuel poor, vulnerable and low income households. The final decision on whether any individual household can benefit from energy saving improvements under Flexible ECO will be made by the obligated suppliers or their agents/contractors. In light of the revised ECO3 guidance issued in March 2019 the Council's Statement of Intent will be reviewed to reflect any changes in order to maximize ECO funding to projects.
- 5.3 Glasgow City Council developed a Statement of Intent in relation to ECO which was published on the 1 October 2018. This outlines the household circumstances allowing the property to qualify for ECO funding. The Council secures ECO for fully owned projects and stipulates to Housing Associations as a condition of receiving HEEPS funding, they must secure ECO funding.
- 5.4 From 2019/20 the Scottish Government will only fund measures to households that are eligible for ECO funding. Where a household is ineligible for ECO a contribution "in lieu" i.e. broadly equivalent to ECO funding must be secured.

6 Potential issues

- 6.1 The introduction of the private landlord criteria as outlined in section 3 has impacted on the delivery of HEEPS projects in mixed tenure blocks. Private landlords are reluctant to participate in HEEPS projects due to the costs involved despite new regulatory requirements are currently being consulted. The Council has already ceased delivering projects in partnership with private sector housing and RSLs where evidence of high private landlord ownership exists. Work included carrying out essential repairs, establishing "a factoring" service, where necessary, and assisting local RSLs to purchase properties to create a balanced ownership in the area. This approach delivered improvements for communities and secured and strengthened the HEEPS investment. Examples of previous projects include Priesthill and London Road.
- 6.2 Whilst the Council welcomes the introduction of multi-year funding it has concerns over the removal of the accruals process. The annual

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award of HEEPS funding permitted addresses to be carried forward into the next financial year with works delivered paid from the previous years' allocation. The HEEPS year spans across 2 financial years and accruals allow projects to be completed with little or no interruption to delivery. Accruals also allow flexibility to deliver additional addresses where owner take up is slow in one project area and funding requires to be diverted to another area to meet demand. Payment for work completed is only permitted if the address is contained in the accrual list submitted at the end of the financial year to the Scottish Government. The introduction of a 3 year HEEPS programme will not allow this process to continue, funding not spent at the end of a financial year will be lost to the local authority and may impact on the Council's ability to deliver within the required timescales.

7 Supporting the Local Economy

- 7.1 The Council will use the Scotland Excel framework of contractors launched in May 2017 to deliver Council managed HEEPS: ABS projects. There are 9 contractors on the framework which makes provision for community benefits, and has a living wage clause.
- 7.2 The delivery of the energy advice service will also be procured using Scotland Excel.

8 Policy and Resource Implications

Resource Implications:

<i>Financial:</i>	No direct costs; part of HEEPS: ABS funding can be used for Council administrative and other enabling costs.
<i>Legal:</i>	n/a
<i>Personnel:</i>	n/a
<i>Procurement:</i>	The HEEPS projects will be procured through the Scotland Excel Procurement Framework. Partner Registered Social Landlords comply with the Scottish Housing Regulator's procurement guidelines
Council Strategic Plan:	The report supports the following Strategic Plan actions; 42. Continue our work on the People Make Glasgow Fairer Strategy to tackle poverty, considering how we can address

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emerging issues such as child hunger and period poverty.

62. Review the affordable warmth scheme and consider how to make best use of current resources to support as many older peoples' households as possible.

67. Become a carbon neutral city by 2037, reviewing our energy carbon masterplan in 2019, and investigating membership of international networks, the Carbon Neutral Alliance and C40.

69. Explore ways of accelerating our work on green energy initiatives, and review the possibility of doing so through an ESCO.

80. Deliver the Glasgow Housing Strategy, including utilising funding from the Scottish Government and development partners to step up progress on the city's priority Transformational Regeneration Areas and Development Framework Areas.

Equality and Socio-Economic Impacts:

Does the proposal support the Council's Equality Outcomes 2017-22

See below

What are the potential equality impacts as a result of this report?

(no significant impact, positive impact or negative impact)

Please highlight if the policy/proposal will help address socio economic disadvantage.

The Affordable Warmth Action Plan is part of Glasgow's Housing Strategy which was subject to an Equalities Impact Assessment. Action to mitigate high fuel costs is likely to benefit all equality groups.

Sustainability Impacts:

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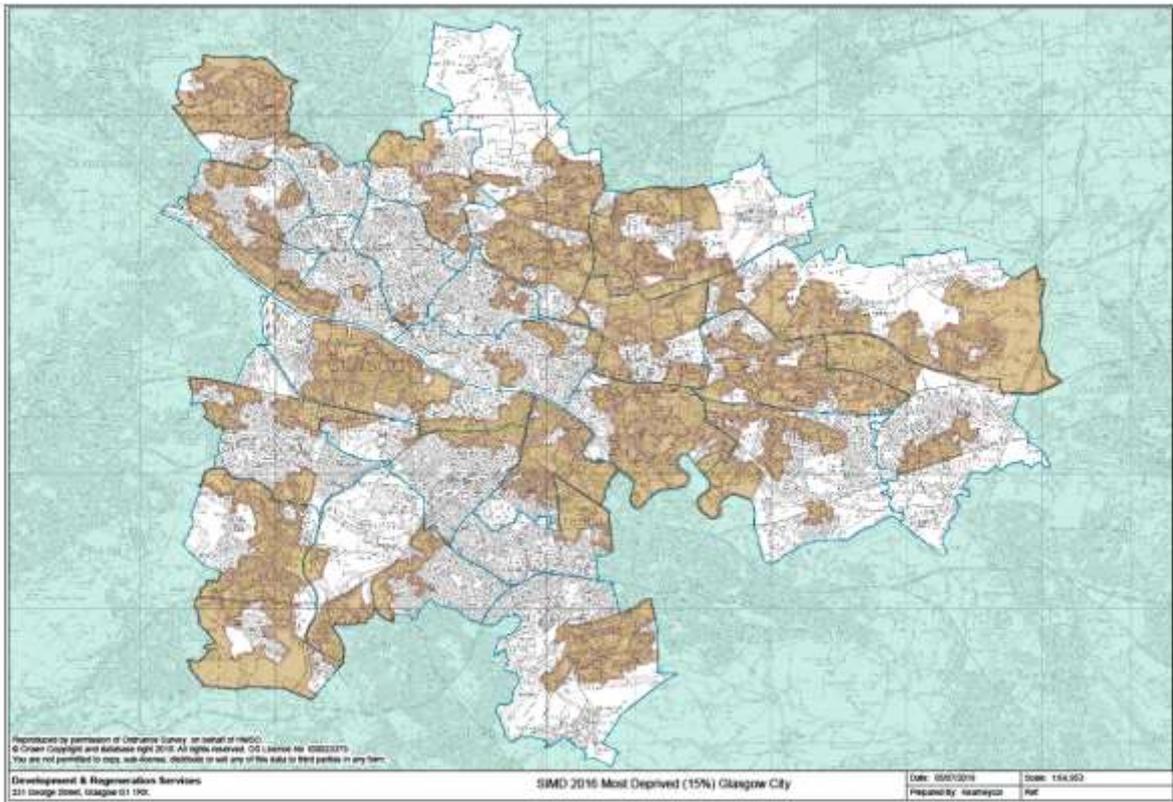
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<i>Environmental:</i>	Improvement measures will save carbon and reduce energy use to benefit the environment
<i>Social, including Article 19 opportunities:</i>	Initiative will help tackle fuel poverty
<i>Economic:</i>	Initiative will assist in increasing incomes to poor households by reducing fuel costs
Privacy and Data Protection impacts:	Measures are in place to ensure the use of personal data complies with the current Data Protection laws

9 Recommendations

Committee is requested to consider the proposed changes to the HEEPS Area Based Scheme and the implemented changes to the Energy Company Obligation requirements.

Scottish Index Multiple Deprivation (Most deprived bottom 15%) Glasgow City



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