



**Glasgow City Council**  
**City Administration Committee**

**Item 3**

**3rd November 2022**

**Report by Councillor Kenny McLean, Convenor for Housing,  
Development, Built Heritage and Land Use**

**Contact: George Gillespie Ext: 79106**

**GLASGOW'S AFFORDABLE WARMTH PROGRAMME: ENERGY EFFICIENT  
SCOTLAND – AREA BASED SCHEMES GRANT FUNDING AWARD 2022/23**

**Purpose of Report:**

The purpose of this report is to inform members of the award of funding to Glasgow City Council to deliver residential energy efficiency improvements. This funding will allow Glasgow to tackle fuel poverty and improve energy efficiency to owner occupied and private rented properties in wholly owned and mixed tenure blocks under the Scottish Government's Energy Efficient Scotland – Area Based Schemes (EES: ABS) programme for 2022/23. This report also outlines the relaxation of owners' contributions and highlights the impact of changes to the ECO4 funding criteria.

**Recommendations:**

Committee is requested to: -

Formally accept the award of £6,437,147 Energy Efficient Scotland: Area Based Schemes grant funding for 2022/23.

Note the changes impacting on the 2022/23 Programme including the introduction of PAS 2035 and the permitted use of ECO4 funding.

Agree to the relaxation of owners' contribution towards the installation of external wall insulation for the ABS 2022/23 programme.

Note the programme for Energy Efficient Scotland – Area Based Schemes 2022/23 will be reported to Neighbourhoods, Housing and Public Realm City Policy Committee.

Ward No(s):

Citywide: ✓

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

## 1 Background to Energy Efficient Scotland

- 1.1 Energy efficiency was designated as a national infrastructure priority by the Scottish Government in 2015. The Energy Efficient Scotland Area Based Schemes (ABS) programme was formerly known as Home Energy Efficiency Programme for Scotland (HEEPS). This is the tenth year of the Area Based Schemes programme and the programme of works is known as ABS 10. The programme aims to tackle fuel poverty and improve energy efficiency to make Scotland's existing buildings near zero carbon wherever feasible by 2045. It is the Scottish Government's intention to introduce a 3 year ABS programme to local authorities from 2023 onwards.
- 1.2 The objectives of the ABS funded by the Scottish Government include providing measures to private households in or at risk of fuel poverty that help to reduce energy usage and costs; and enabling and supporting eligible homes receiving support from ABS to have achieved an EPC rating of C or better by 2030.
- 1.3 Area Based Schemes contribute to delivering the wider aims as set out in the Scottish Government's Heat in Building Strategy and Fuel Poverty Strategy. These seek to ensure that fewer Scottish households experience fuel poverty and/or extreme fuel poverty and that long-term reductions in CO<sub>2</sub> emissions are realised through initiatives such as the retrofit programme. The ABS programme helps to mitigate against the cost of living crisis and increasing energy costs being experienced by residents within the project areas.

## 2 Tackling Fuel Poverty in Glasgow – Our Strategic Approach

- 2.1 [Glasgow's existing Housing Strategy \(2017-22\)](#) is currently being reviewed and will be presented to the City Administration Committee for approval early in 2023. Against a backdrop of escalating fuel costs and a cost of living crisis, tackling fuel poverty and promoting energy efficiency will be reaffirmed as strategic priorities.
- 2.2 The Council's [Affordable Warmth Strategy](#) was approved in January 2017, which sets out our approach to tackling fuel poverty in domestic households. The award of EES:ABS funding assists Glasgow to deliver outputs and outcomes associated with a range of strategies, plans and initiatives including [Sustainable Glasgow](#), the [Climate Change Strategy](#) and the [Scottish Government Housing to 2040 Vision](#).
- 2.3 Research and analysis published by the Child Poverty Action Group in August 2022 has estimated that from January 2023 (when the new price caps are introduced), more than half of households in the UK (15 million) could be in fuel poverty. The study includes an estimate for Scotland, reporting that 61.5% of households will be in fuel poverty (circa 1.469million). Using this data as an indicator suggests that circa 180,000 households in Glasgow may be in fuel poverty.
- 2.4 In line with Scottish Government guidelines to identify fuel poor households, area based schemes in Glasgow will be targeted in geographic areas :-

- within the lowest 25% Scottish Index Multiple Deprivation (2020);
- in Council Tax Band A-C and Tax Band D in certain conditions;
- that are not included in the area of operation of Registered Social Landlords (RSLs) and/or have consequently missed out on investment programmes; and
- where people are living with vulnerable conditions to the cold.

2.5 Using the above guidelines and in line with the Scottish Government's 'fabric first' approach projects consist, in the main, of external wall insulation in both traditional and non-traditional properties. In addition, work is underway with Housing Associations to support owners in mixed tenure blocks to benefit from external wall insulation and where this has previously been completed, the provision of ABS grant funding will assist with decarbonisation of heating and hot water system in their property.

2.6 The targeting of the scheme aligns with the objectives and targets in Glasgow's Housing Strategy Affordable Warmth Action Plan and is data driven, with house construction type profiling by area alongside analysis of previous measures undertaken, which enables area based programmes to be developed of a size which will make the programme viable under the scheme. The 2022/23 programme will be reported to Neighbourhoods, Housing and Public Realm City Policy Committee following acceptance of the 2022/23 grant by City Administration Committee.

2.7 As part of Glasgow's Energy Efficient Scotland area based projects, owners will have access to both Home Energy Scotland and our contracted energy advice provider HEAT. Both organisations offer support by providing householders with the opportunity to benefit from access to a range of additional services including bespoke energy advice.

### **3 Energy Efficient Scotland: Area Based Schemes - Funding Award**

3.1 For 2022/23, the Scottish Government has awarded Glasgow City Council the sum of £6,437,147 from the Energy Efficient Scotland Programme. The award permits enabling and administrative costs of £100,000 or 20% of the grant award whichever is the higher amount to assist in the delivery of the programme.

3.2 The Scottish Government have indicated that a multi-year funding framework will be introduced from 2023 onwards.

### **4 Changes Impacting on the 2022/23 Programme**

4.1 Introduction of PAS 2035 Specification Compliance

4.1.1 A new specification for 'whole-house' or 'whole building' retrofit has been introduced and is called PAS 2035. This is an approach to the installation of energy efficiency measures that takes into account the requirement of the entire building; both from a technical standpoint and taking account of considerations like occupancy comfort. The new specification is intended to improve the energy efficiency of UK homes by improving retrofitting practices.

4.1.2 Compliance with PAS 2035 requires installers to comply with the specification and be registered with the quality mark in the form of TrustMark. This identifies specific roles, with specific duties and responsibilities, along with the need for individuals to undertake training and possess qualifications and memberships of professional institutions.

4.1.3 The introduction of PAS 2035 specification has substantially increased the costs for the installation of external wall insulation to a property. For example, the additional cost associated with PAS compliance to deliver external wall insulation to an end terrace property is estimated to be approximately £5,000 and for a mid- terraced property costing approximately £3,500, this includes Retrofit professional fees of approximately £1,000 per property.

#### 4.2 Energy Company Obligation (ECO) Funding and Statement of Intent (Sol)

4.2.1 The Energy Company Obligation phase 3 known as ECO3 concluded in June 2022. The new phase ECO4 will run from April 2022 until March 2026.

4.2.2 Final ECO4 Guidance was published on 20th September. ECO4 does not permit ABS funding to be blended with ECO contributions for the same energy efficiency measure. The Scottish Government has recognised the financial impact and increased the ABS grant award per property to help mitigate against the increased delivery costs.

4.2.3 It is the intention of the Council to work alongside contractors to identify opportunities to secure ECO funding, where permitted within the new ECO4 guidance, to assist those not eligible for ABS funding. The Council will now produce and publish a Statement of Intent (Sol) in line with ECO4 requirements which will be published on the Council's website and this will allow ECO to be sourced in Scottish Government projects where ABS funding is not permitted. The final decision on whether any individual household can benefit from energy saving improvements under ECO is made by the obligated suppliers or their agents/contractors.

#### 4.3 Scottish Government Grant Funding Level Per Property

4.3.1 In response to the increased costs for each property highlighted in 4.1 and 4.2, the Scottish Government has increased the level of ABS grant award per property type to better reflect installation costs in 2022/23. The level of ABS grant funding now ranges from £8,500 - £13,000, an increase of between £1,500 to £2,250 per property.

## 5 Mitigating Action against the Cost of Living and Energy Crisis

- 5.1 In 2021/22 the Council draw down of ABS Grant was £1,287,490 against a potential £6,212,342. The reasons for this included the launch of the new Scotland Excel framework and contractor's regulatory compliance requirements with that framework, a complex tendering process involving specification of works on a variety of construction types, and delays in site set up time. A number of City Region local authorities also experienced delivery issues impacting on their ability to maximise ABS grant funding drawdown in 2021/22.
- 5.2 The programme will face challenges in delivery in 2022/23 against a backdrop of uncertainty in the construction sector and build cost inflation, in addition to the new context for delivery of the ABS programme outlined above in 4.1 and 4.2.
- 5.3 An additional pressure on delivery of the programme is the cost of living crisis experienced by owners living in the targeted areas for the ABS programme ie. lowest 25% SIMD areas. Notwithstanding that owners recognise the immediate and long-term benefits of these energy measures in terms of the alleviation of fuel poverty, initial engagement with owners has identified a lack of initial interest in pursuing the works. The main reason given is the financial contribution of £1,500 from owners which is prohibitive in the current environment.
- 5.4 In order to support households through the cost of living crisis and to encourage take-up of these energy efficiency measures which will support fuel poverty mitigation in the longer term, the Scottish Government has allowed flexibility in relation to an owners contribution. It is recommended that the installation of external wall insulation be offered free of charge in the 2022/23 programme, thus removing the need for a financial contribution of £1,500 from owners in 2022/23.

## 6 Policy and Resource Implications

### Resource Implications:

<i>Financial:</i>	No direct costs; part of Energy Efficient Scotland funding can be used for Council administrative and enabling costs.
<i>Legal:</i>	No legal implications of this report.
<i>Personnel:</i>	No additional personnel implications.
<i>Procurement:</i>	EES: ABS Projects are procured through Scotland Excel Procurement Framework and require input from the Procurement Team.

## **Equality and Socio-Economic Impacts:**

*Does the proposal support the Council's Equality Outcomes 2021-25? Please specify.*

The programme supports the reduction of fuel poverty and therefore contributes to multiple equality outcomes.

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

The Affordable Warmth Action Plan is part of Glasgow's Housing Strategy which was subject to an Equalities Impact Assessment. Especially against a backdrop of a cost of living crisis, action to mitigate high fuel costs will generate positive benefits across a broad cross-section of equality groups.

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

The programme helps to mitigate against energy price increases and cost of living challenges for owners in poor and vulnerable households.

The Council's Corporate Procurement Unit utilises Scotland Excel's framework of contractors, re-tendered in 2021 by Scotland Excel, to deliver the Council managed Energy Efficient Scotland: Area Based Schemes projects. There are 17 external wall insulation contractors on the framework which makes provision for community benefits and has a living wage clause.

## **Climate Impacts:**

*Does the proposal support any Climate Plan actions? Please specify:*

Theme 3 Well Connected and Thriving City Action 8: Continue to work with Scottish Government to maximise grant funding for Area Based Schemes to invest in improving energy efficiency and tackling fuel poverty in private sector housing.

Action 39: Encourage and enable retrofit of all existing owner-occupied housing to EPC level C or above, and to reduce flood risk (where appropriate).

*What are the potential climate impacts as a*

The installation of energy efficiency measures will contribute to a reduction in CO<sub>2</sub>. Since 2013 to January 2021 almost 590,000(tCO<sub>2</sub>

*result of this proposal?*

lifetime) tonnes of lifetime carbon savings has been achieved based on Energy Saving Trust figures

*Will the proposal contribute to Glasgow's net zero carbon target?*

The delivery of the ABS programme can save carbon and reduce energy use to benefit the environment, contributing to the city's net zero carbon target. By January 2021 over 11,000 energy efficiency measures were installed in 75 project areas across the city.

**Privacy and Data Protection Impacts:**

Measures are in place to ensure the use of personal data complies with the current Data Protection laws

## **7 Recommendations**

Committee is requested to: -

Formally accept the award of £6,437,147 Energy Efficient Scotland: Area Based Schemes grant funding for 2022/23.

Note the changes impacting on the 2022/23 Programme including the introduction of PAS 2035 and the permitted use of ECO4 funding.

Agree to the relaxation of owners' contribution towards the installation of external wall insulation for the ABS 2022/23 programme.

Note the programme for Energy Efficient Scotland – Area Based Schemes 2022/23 will be reported to Neighbourhoods, Housing and Public Realm City Policy Committee.