

## **Item: 14**

**Education, Leisure and Housing Committee: 3 April 2019.**

**Home Energy Efficiency Programme for Scotland: Area Based Schemes.**

**Report by Executive Director of Education, Leisure and Housing.**

### **1. Purpose of Report**

To provide an update on the 2018 to 2019 Home Energy Efficiency Programme for Scotland: Area Based Schemes programme and consider a bid for 2019 to 2020 funding.

### **2. Recommendations**

The Committee is invited to note:

#### **2.1.**

That the Home Energy Efficiency Programme for Scotland: Area Based Schemes is a Scottish Government scheme designed to improve the energy efficiency of private sector housing stock.

#### **2.2.**

That the Council's contract with Firefly Energi (Orkney) Limited to deliver the programme has been extended by one year and now expires on 31 March 2020.

#### **2.3.**

Progress with the 2018 to 2019 programme, as detailed in section 4 of this report.

#### **2.4.**

That, so far in 2018 to 2019 over £1,100,000 in Home Energy Efficiency Programme for Scotland: Area Based Schemes funding has been allocated, totalling over 194 installations. This provides the Council with sufficient overallocation to cover any cancellations and to provide a good initial batch of casework for the 2019 to 2020 project year.

#### **2.5.**

That the Council was successful in a bid to the Warm Homes Fund, receiving funding of £1,500,000 towards the installation of 200 new central heating systems for the period between November 2017 and May 2019.

## **2.6.**

That the Warm Homes Fund is being run alongside the Home Energy Efficiency Programme for Scotland: Area Based Schemes programme to try and maximise the benefit of both schemes.

## **2.7.**

That the Council is also making use of Energy Company Obligation (ECO) Flexible Eligibility funding via the Home Energy Efficiency Programme for Scotland: Area Based Schemes programme to ensure that the benefits of the Home Energy Efficiency Programme for Scotland: Area Based Schemes funding and by 28 February 2019 159 cases have been processed.

## **2.8.**

That, combining the Warm Homes Fund funding, referred to at paragraph 2.5 above, together with the Energy Company Obligation and Warm Zones funding that is also available, over £2,500,000 in funding may be available in respect of fuel poverty and energy efficiency works through the Council's Home Energy Efficiency Programme for Scotland: Area Based Schemes programme in 2019 to 2020.

## **2.9.**

That the Scottish Government has not yet announced the level of grant being awarded for 2019 to 2020 and, as a result, there has been no confirmation on the level of funding reserved for Orkney, although expectations are that the figure will be in line with previous years of approximately £1,300,000.

## **2.10.**

That from previous experience of the Home Energy Efficiency Programme for Scotland: Area Based Schemes programme, it is anticipated that a bid for £1,000,000 in funding would deliver installations to around 150 properties, which would be an achievable scale of project, particularly if other funding, such as Warm Homes Fund and Energy Company Obligation funding were obtained.

## **2.11.**

That discussions have been held with the Scottish Government regarding the potential for an additional pilot project which would allow the remaining £300,000 of the estimated £1,300,000 Home Energy Efficiency Programme for Scotland: Area Based Schemes to be spent on bringing between 5 and 10 very poor properties in the isles up to a high energy standard, utilising higher levels of funding than those available through the general Home Energy Efficiency Programme for Scotland: Area Based Schemes.

**It is recommended:**

## **2.12.**

That powers be delegated to the Executive Director of Education, Leisure and Housing, in consultation with the Chair and Vice Chair of the Education, Leisure and Housing Committee, to submit a bid for Home Energy Efficiency Programme for Scotland: Area Based Schemes funding for 2019 to 2020, together with any other fuel poverty or energy efficiency funding that may become available throughout 2019 to 2020.

## **3. Background**

### **3.1.**

The Home Energy Efficiency Programme for Scotland: Area Based Schemes is a Scottish Government scheme designed to improve the energy efficiency of private sector housing stock.

### **3.2.**

According to the latest Scottish Housing Condition Survey 2015 to 2017, Orkney has the highest rate of fuel poverty in Scotland at 57%, just ahead of the Western Isles at 56%. While still high, this is a further drop from the high of 65% in 2015 and 2016's 59%. With a continued increase in electricity prices this continued drop in the level of fuel poverty shows the impact the Home Energy Efficiency Programme for Scotland: Area Based Schemes and other projects are having on the energy efficiency of Orkney's housing stock and fuel poverty levels.

## **4. Programme for 2018 to 2019**

### **4.1.**

As reported to the Education, Leisure and Housing Committee on 7 February 2018, the Council submitted a bid of £1,000,000 for 2018 to 2019 Home Energy Efficiency Programme for Scotland: Area Based Schemes funding to target insulation measures in eligible private sector properties. The bid was accepted by the Scottish Government.

### **4.2.**

The 2018 to 2019 programme is progressing well and as of 28 February 2019 all of the £1,000,000 in 2018 to 2019 Home Energy Efficiency Programme for Scotland: Area Based Schemes funding has been allocated to households and fees and support costs with additional allocations being made to help cover potential cancellations and also to provide an initial batch of case work for the 2019 to 2020 project year.

### **4.3.**

164 households have been signed up to the 2018 to 2019 programme, with an additional 30 households being progressed through the award stages.

#### **4.4.**

As of 28 February 2019, 87 installations have been finalised, with many others progressing through various stages.

#### **4.5.**

Between 2015 to 2016 and 28 February 2019 over 500 measures have been installed in over 400 properties, with around 70 measures still to be installed in 2018 to 2019.

#### **4.6.**

Owing to high levels of fuel poverty, Orkney has received significantly more funding per-head through Home Energy Efficiency Programme for Scotland: Area Based Schemes than many of the larger councils in Scotland over the last three years.

#### **4.7.**

In October 2017, the Council bid for and was awarded £1,500,000 funding from the National Grid run Warm Homes Fund. The funding is being utilised to deliver 200 new heating systems in properties that do not have a proper central heating system. To date around 150 systems have been installed.

#### **4.8.**

The approach of tying the Home Energy Efficiency Programme for Scotland: Area Based Schemes and Warm Homes Fund projects together to provide economies of scale, allow households to receive both heating and insulation and draw additional households to the Home Energy Efficiency Programme for Scotland: Area Based Schemes programme has worked well and benefitted both projects. The Council is considering a bid for the next and final round of Warm Homes Fund funding in May 2019 to continue the approach.

#### **4.9.**

The current Home Energy Efficiency Programme for Scotland: Area Based Schemes managing agent contract held by Firefly Energi (Orkney) Limited was due to end on 31 March 2019. The Council has been developing a tender for a new contract. However, there have been several factors that have impacted upon this and in January 2019 the decision was taken to, in line with policy, extend the Firefly Energi (Orkney) contract for a further 12 months to allow the 2019 to 2020 project year to progress and to allow additional time to finalise a tender for the 2020 to 2021 year and beyond.

## **5. Bid Proposal for 2019 to 2020**

### **5.1.**

At the date of writing Scottish Government had not yet published the 2019 to 2020 Home Energy Efficiency Programme for Scotland: Area Based Schemes guidance and because of this we do not yet have confirmation on the level of funding the Scottish Government has reserved Orkney in Home Energy Efficiency Programme for Scotland: Area Based Schemes funding for 2019 to 2020, although expectations are that the figure will be in line with previous years and be around £1,300,000.

### **5.2.**

In line with previous years, to access Home Energy Efficiency Programme for Scotland: Area Based Schemes funding the Council is required to submit a bid to the Scottish Government for Home Energy Efficiency Programme for Scotland: Area Based Schemes funding outlining the Council's proposals for the year ahead.

### **5.3.**

Experience from previous project years show that a realistic Home Energy Efficiency Programme for Scotland: Area Based Schemes funding bid is around £1,000,000. When coupled with the potential for further Warm Homes Fund funding from an upcoming bid and Energy Company Obligation (ECO) that is also available via Flexible Eligibility and Affordable Warmth ECO, it is possible that there could be over £2,500,000 in funding available for fuel poverty and energy efficiency works through the Council's Home Energy Efficiency Programme for Scotland: Area Based Schemes programme in 2019 to 2020.

### **5.4.**

Council officials have been in discussion with senior officials within the Scottish Government about the potential for a pilot project that would allow around £300,000 of the estimated £1,300,000 in funding to be spent on bringing between five and ten very poor properties in the Isles up to a high energy standard, utilising higher levels of funding than those available through the general Home Energy Efficiency Programme for Scotland: Area Based Schemes and potentially including the funding of necessary property repairs.

### **5.5.**

It is proposed that a bid of £1,300,000 be submitted for Home Energy Efficiency Programme for Scotland: Area Based Schemes funding for 2019 to 2020 comprising £1,000,000 for the general Home Energy Efficiency Programme for Scotland: Area Based Schemes and up to £300,000 for a pilot project targeting some of the most energy inefficient properties in the Isles.

## **Links to Council Plan**

### **6.1.**

The proposals in this report support and contribute to improved outcomes for communities as outlined in the Council Plan strategic priorities of Thriving Communities and Quality of Life.

### **6.2.**

The proposals in this report relate directly to the Priorities covered in 3.8 and 3.9 to work with partners to develop strategies for improving housing conditions and reducing fuel poverty.

## **7. Links to Local Outcomes Improvement Plan**

The proposals in this report support and contribute to improved outcomes for communities as outlined in the Local Outcomes Improvement Plan priority of Strong Communities where our communities have vibrant, innovative, sustainable and inclusive populations.

## **8. Financial Implications**

### **8.1.**

The Home Energy Efficiency Programme for Scotland: Area Based Schemes programme will operate with the Council making payment of grants to eligible households and claiming the expenditure back from the Scottish Government retrospectively.

### **8.2.**

The scheme guidance allows up to 15% of the total cost of the scheme to be spent on administrative and enabling costs, including any fee to a Managing Agent. The Scottish Government has reviewed the programme and the 15% figure is being maintained for 2019/20.

## **9. Legal Aspects**

### **9.1.**

Under the Housing (Scotland) Act 2001, the Council is required to produce a strategy on Fuel Poverty. The previous Scottish Government target required councils to seek to eradicate fuel poverty by 2016. No council managed to meet this target. As a result the Scottish Government is currently consulting on a new fuel poverty strategy for Scotland. As a result of the Scottish Government's Home Energy Efficiency Programme for Scotland: Area Based Schemes programme, the Council has engaged Firefly to undertake the management agent's role.

## **10. Contact Officers**

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