



To: Housing and Community Safety Policy Board

On: 10 March 2015

Report by: Director of Development and Housing Services

**Heading: Housing Energy Efficiency and Carbon Reduction Programmes:
2015/16**

1. Summary

- 1.1 This report sets out the programme submitted for funding for financial year 2015/2016 under the Scottish Government's Home Energy Efficiency Programme for Scotland: Area Based Schemes (HEEPS:ABS) initiative, along with the proposed arrangements for the delivery of Energy Company Obligation (ECO) support for Council properties over the same period.
 - 1.2 A further report will be submitted to the Board on 10 May 2015 confirming the outcome of the application for resources under the 2015/2016 HEEPS:ABS programme.
-

2. Recommendations

- 2.1 Note that Renfrewshire Council has been allocated £1,213,145 for 2015/2016 for projects within the Renfrewshire Council area as part of the needs based allocation for the Scottish Government's HEEPS: ABS programme, and that additional resources can be awarded to Councils who are in a position to deliver additional, larger scale and/or more ambitious projects.
- 2.2 Endorse the application described within section 4 of this report for HEEPS: ABS support in Renfrewshire totalling £4,620,725 comprising the core allocation of £1,213,145, and additional funding totalling £3,407,580, which

was submitted on 20 February 2015 in accordance with Scottish Government requirements.

- 2.3 Note that the HEEPS:ABS submission reflects consultation with the Federation of Local Housing Associations in Renfrewshire (FLAIR), and incorporates projects which can be realistically delivered in 2015/2016, set out within priority order in accordance with Scottish Government guidance.
 - 2.4 Note that a further report will be submitted to the Board meeting on 12 May 2015 confirming the outcome of the HEEPS:ABS application.
 - 2.5 Note and approve the approach being adopted to secure funding under the Energy Company Obligation (ECO) and authorise the Director of Development and Housing Services to conclude an agreement with E:ON UK for the provision of ECO support on qualifying projects for 2015/16, subject to the availability of sufficient levels of HEEPS:ABS from the Scottish Government to support qualifying projects.
-

3. The Home Energy Efficiency Programme for Scotland: Area Based Schemes (HEEPS:ABS) for 2015/2016

- 3.1. HEEPS: ABS was introduced by the Scottish Government in 2013/2014 and is now entering its third year. The programme is targeted at private sector home owners particularly in common tenure blocks to assist their participation and ensure projects can proceed. The Scottish Government anticipates that the programme will run for 10 years in total. The key objectives are to reduce fuel poverty, reduce carbon emissions, lever funding from the Energy Company Obligation (ECO) support from utility suppliers, and demonstrate an appropriate strategic fit and approach to improving energy efficiency. The potential benefits of HEEPS:ABS therefore complement and support a range of social housing initiatives including maintaining stock at the levels required by the Scottish Housing Quality Standard (SHQS) as well as the emerging requirements from the new Energy Efficiency Standard for Social Housing (EESH).
- 3.2. Local Authorities act as coordinating agents for all HEEPS: ABS programmes in their area. In 2013/2014 a total allocation of £2.311M was secured for Renfrewshire from a national resource of £60M, and in 2014/2015 a total allocation of £2.056M was secured again from a national resource of £60M. This has enabled a range of external wall insulation projects to be carried out in multi tenure blocks to support the Council SHQS programme as well as external wall insulation programmes by Linstone Housing Association and internal wall insulation by Williamsburgh Housing Association. A smaller

energy efficiency project was also carried out in the Lochwinnoch area as part of the 2013/2014 allocation to assist the local energy action plan there.

- 3.3. The Scottish Government announced the allocation and bidding process for the 2015/2016 programme on 12 December 2014. Based on a distribution formula agreed with COSLA, each local authority is provided with a core allocation from a national fund of £48M with the balance of £12M to be allocated through a bidding process where Councils are in a position to deliver additional or larger scale and/or more ambitious projects. Accordingly £60M in total is available nationally once again for 2015/2016, which mirrors the 2013/2014 and 2014/2015 national figures. The core allocation for Renfrewshire for 2015/2016 is £1,213,145.
- 3.4. Local Authorities were required to submit schemes for consideration for both the core element and the bid element by 20 February 2015. Following consultation with Housing Association partners a total bid of £4,620,725 has been submitted. As in previous years submissions have been prioritised based on a range of criteria. In summary these are:
- ECO rates, leverage and secured commitments in place
 - Use of HEEPS:ABS to enable mixed tenure programmes to proceed
 - Scale and deliverability within 2015/2016
 - Continuity from schemes approved in previous years
 - Timescale to achieve contractual commitment including procurement timescales
 - Potential for extending delivering over more than one financial year

The table at below indicates the priority for all of the Renfrewshire projects submitted:

Coordinating Partner	Project	Value of HEEPS:ABS within Bid	Number of Owners in Project Areas	Number of Tenants in Project Areas	Core/ Bid Element Priority
Renfrewshire Council	George Street District Heating Replacement	£312,225	181	137	1
	Gallowhill Common Blocks Solid Wall Insulation Phase 1	£900,000	120	146	2
	Gallowhill Common Blocks Solid Wall Insulation Phase 2	£540,000	72	110	3
	Gallowhill Common Blocks Solid Wall Insulation Phase 3	£540,000	72	90	4
	Gallowhill Common Blocks Solid Wall Insulation Phase 4	£510,000	68	106	5
	Gallowhill Common Blocks Solid Wall Insulation Phase 5	£502,500	67	135	6
Linstone Housing Association	Individual House Solid Wall Insulation Phase 1	£700,000	125	0	7
	Individual House Solid Wall Insulation Phase 2	£616,000	110	0	8
Total (including 15% administration and enabling fee)		£4,620,725	815	724	

- 3.5. Members should note that in addition to the HEEPS:ABS element noted above each project will also require partner financial support in varying degrees, based on the extent of measures to be provided and the amount of carbon which can be sold to the participating utility companies for these measures (as part of each providers Energy Company obligation (ECO) programme). The measures within the bid comprise external solid wall insulation and replacements to existing common heating systems.
- 3.6. The number of properties which will be supported will depend on the amounts of HEEPS:ABS awarded and the levels of ECO which can be secured. Individual elements within the bid have therefore been structured based on the best information currently available on the likelihood of partner support for

each project and element. Further information on ECO availability for 2015/2016 is provided in section 4 below.

- 3.7. The Scottish Government has indicated that local authorities will be advised of approved HEEPS:ABS projects during week commencing 23 March 2015. A report will therefore be submitted to this Board at the next meeting on 10 May 2015 advising members of the outcome of the HEEPS:ABS allocation process.

4. The Energy Company Obligation (ECO) Programme for Council Properties for 2015/2016

- 4.1. External wall insulation projects within the Council HEEPS:ABS programme will require financial support through the Energy Company Obligation (ECO) programme in addition to the HEEPS:ABS support for owners described in section 3 of this report. Funding from both sources will facilitate work on both the Council owned properties and privately owned properties as part of the same works programme.
- 4.2. As part of the Government's strategy to reduce the generation of carbon from fossil fuels, ECO creates an obligation on energy suppliers to provide energy efficiency measures to lower income and vulnerable households and those living in hard to treat properties. ECO, which is overseen by the Government energy regulator Ofgem, commenced in 2013 and currently runs to 2017. Only the largest domestic suppliers – British Gas, EDF, E.ON UK, N Power, Scottish Power and Scottish and Southern Electricity are obligated under the scheme.
- 4.3. A fuller description of the background to ECO along with details of the Council's process for the selection of an ECO partner for the period to 31 March 2015 was included within a report to this Board on 14 May 2013. At that meeting British Gas was selected as the Council's ECO partner for the two years to 31 March 2015.
- 4.4. Over this period the Council has successfully completed a number of ECO projects as part of the SHQS common blocks programme, and the programme of district heating replacement incorporating external wall insulation is nearing completion in the Charleston area of Paisley. The total value of ECO work within approved Renfrewshire projects to date is estimated to be in excess of £8m.
- 4.5. In order to maintain the ECO programme for projects commencing in 2015/2016, and take advantage of complimentary funding for the likes of the

HEEPS:ABS programme described in the paragraphs above, the Council must enter into a new agreement with an ECO provider, initially for projects in 2015/2016 to match with any HEEPS:ABS offer for the same period. A selection process similar to that successfully carried out with all of the six major utility companies for the initial phase of support has therefore been undertaken.

- 4.6. Historically ECO funding has been available in two forms. On a 'non managed' contract basis the supplier provides financial support through ECO to the Council for projects managed and delivered by the Council based on the amount of carbon reduction that the measures will deliver. Under a 'managed' contract it is the ECO provider who manages and delivers the work to the Council properties. As an example, the ECO projects supported through the SHQS external common works programmes were delivered on a non-managed basis (i.e. managed by the Council and not the ECO provider), whilst the over cladding and district heating replacement project at Charleston is being delivered as a 'managed' contract (i.e. directly managed by the ECO provider). 'Managed' contracts now provide the greatest amount of ECO funding based on the amount of carbon saving purchased by the ECO provider from the Council, and are also the most attractive delivery vehicle for ECO providers as the control of delivery of the measures rests wholly with the ECO supplier rather than the social housing provider. This greatly improves the ECO supplier's ability to meet their Ofgem targets and therefore avoid penalty costs for non delivery of carbon savings which are imposed by Ofgem if their ECO targets are not achieved.
- 4.7. The Council published a PIN notice on 1st September 2014 to determine which of the utility companies directly providing ECO would consider partnering with the Council to deliver the new phase of ECO supported projects. Two of the six companies provided a response (British Gas and E:ON UK). Each company was thereafter asked to provide details of the levels of ECO support which they could offer to the Council based on project areas and property archetypes which the Council proposed to include within future programmes. On the basis of the returns received the Council was able to determine which utility company could offer the most advantageous provision of ECO for the project areas being considered.
- 4.8. The offer from E:ON UK is the most advantageous to the Council in that it provides support for ECO measures (solid wall insulation) on a 'managed' contract basis to up to 587 Council properties and 379 private owners within common blocks at no cost to the Council. Following an appraisal of stock archetype and ownership data, the work is planned for the Gallowhill area of Paisley, which has a sufficient number of houses with solid wall construction, and the correct balance of private ownership, to allow the proposed programme to proceed in 2015/16.

- 4.9. The offer from British Gas required a financial contribution from the Council and therefore cannot be considered as funding of this nature does not meet the Council's requirements for the award of contracts on a managed basis.
- 4.10. The ECO measures to be delivered are subject to the successful award of HEEPS:ABS to allow the participation of the private owners as described in Section 3 on this report. Until the HEEPS:ABS process is concluded it is not possible to state how many properties can finally be included in the cladding programme. Blocks which cannot be included within the 2015/2016 phase will be held over for inclusion in the bidding process for HEEPS:ABS and supporting ECO in 2016/2017. As noted in paragraph 2.4 above, the outcome of the HEEPS:ABS submission for 2015/16 funding will be reported to the Board on 10 May 2015.
-

Implications of the Report

1. **Financial** – (a) Core HEEPS:ABS allocation of £1,213,145 for 2015/2016 to support owner participation in Council and partner projects within the Renfrewshire area. Additional resources subject to outcome of bid.
(b) ECO funding to allow external wall insulation to up to 587 Council houses (subject to allocation of HEEPS:ABS) at no cost to the Council. A maximum of 379 private owners will also receive external wall insulation at no cost.
2. **HR & Organisational Development** - None
3. **Community Planning** –
Community Care, Health & Well-being – improving and maintaining housing conditions benefiting tenants and private owners. Addressing fuel poverty.
Greener – protecting, caring and enhancing the natural and built environment. Reducing carbon emissions
Jobs and the Economy – construction firms employ local staff
Safer and Stronger – ensuring the long term sustainability of the housing stock in both social rented and private sectors
4. **Legal** - None
5. **Property/Assets**
Improvements in the energy performance of both Renfrewshire Council and Housing Association stock, and within private dwellings.
6. **Information Technology**
None.
7. **Equality & Human Rights**
The Recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts

on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.

8. **Health & Safety**

None.

9. **Procurement**

None.

10. **Risk**

Projects require owners' consents. Projects may therefore be delayed or cancelled if necessary agreements are not secured.

11. **Privacy Impact**

None.

List of Background Papers

- (a) Report to Housing and Community Safety Policy Board on 26 August 2014 entitled 'Home Energy Efficiency Programme for Scotland: Area Based Schemes (HEEPS: ABS) – Update.
- (b) Report to Housing and Community Safety Policy Board on 10 March 2015 entitled 'Private Sector Housing Investment Programme 2015/18'
- (c) Report to Housing and Community Safety Policy Board on 14 May 2013 entitled 'Home Energy Efficiency Programme for Scotland: Area Based Schemes (HEEPS: ABS)'
- (d) Report to Housing and Community Safety Policy Board on 27 August 2013 entitled 'Housing Energy Funding Programmes and Scottish Housing Quality Standard Update'.

The foregoing background papers will be retained within Development and Housing Services for inspection by the public for the prescribed period of four years from the date of the meeting. The contact officer within the service is Brian Spence, Housing Investment Manager, 0141 618 6083, brian.spence@renfrewshire.gov.uk

Author: Brian Spence, Housing Investment Manager, 0141 618 6083, brian.spence@renfrewshire.gov.uk