

EAST RENFREWSHIRE COUNCILCABINET10 November 2022RETROFIT OF DOMESTIC HOUSING**PURPOSE OF REPORT**

1. To update Cabinet on the progress to retrofit homes across Glasgow City Region to be more energy efficient and heated by low-carbon systems; and to provide comment on the future direction of funding provided for owner-occupier home energy efficiency measures.

RECOMMENDATIONS

2. Cabinet is recommended to note the progress and challenges faced in retrofitting homes across Glasgow City Region (and East Renfrewshire) and provide comment to inform further action.

BACKGROUND

3. Scotland's Climate Change Plan sets out the ambition to massively reduce emissions, particularly from heating buildings, which accounts for around 20% of Scotland's Greenhouse Gas (GHG) emissions.

4. In 2019, only 11% of homes in Scotland had low-emission heating systems. To meet the national target of net zero GHG emissions by 2045, a rapid acceleration of homes converting to zero-emission heating is needed. From the current rate of 0.1% of homes making the conversion per year it will be necessary for 5-10% of homes per year to achieve this target.

5. Zero-emission heating will involve converting properties to electrical heating (e.g. Air-Source Heat Pumps) or by converting fossil-fuel boilers to Hydrogen gas. A Hydrogen gas network is many years from being fully established so heat pumps are the more likely technology in the next decade. Heat pumps will require high levels of insulation and airtightness, and work best with solar panels to keep running costs low. The work to retrofit heat pumps and the associated upgrades to insulation and solar panels will require major renovations to domestic and non-domestic properties of all tenures.

6. Glasgow City Region (GCR) Cabinet agreed a report in October 2021, which outlined that bringing homes across the region to Energy Performance Certificate (EPC) level C and above is estimated to be in the region of £10.7 billion, with up to £600 million investment per annum required for a 15-year period. There are approx.428k properties across GCR below EPC C. In East Renfrewshire this figure is 24,000 homes, 60% of all homes.

7. Based on the findings from the study presented by consultants, Grant Thornton, to the GCR Cabinet in October 2021, it was agreed to progress on the following work streams:

- **Residents** – further research to inform communication plans and engagement with tenant and owners.
- **Finance** - how can we finance the delivery of retrofit.

- **Buildings** (Fabric and Energy) – fabric and technical solutions around insulation and ventilation, as well as clean and zero waste energy sources, including district heating solutions.
- **Supply Chain Development and Skills** – how to grow and manage the local supply chain, and train and reskill the workforce.
- **Data** - progress work to address the data sharing recommendations.

8. GCR Programme Management Office (PMO) recently reported to the Chief Executives Group on the latest progress with the retrofit programme, which is outlined in the section below.

REPORT

9. A summary of the progress against the work streams set out in the GCR Chief Executives Group report is shown below

Residents

10. To gauge levels of public awareness, the forthcoming Glasgow City Council Household Survey, engaging with 1,000 residents is being undertaken this summer with results to be published in the autumn 2022.

11. The GCR PMO is seeking opportunities with GCR authorities, including East Renfrewshire Council, to engage residents. Officers from Housing services are working with GCR PMO to co-ordinate engagement with all tenure properties but this activity is expected to be led by GCR PMO officers.

Funding

12. Home Energy Efficiency Programmes for Scotland (HEEPS) Area Based Scheme (ABS) funding is provided to all Scottish local authorities by the Scottish Government on an annual basis, totalling £64m for Scotland for 2022 - 2023. HEEPS: ABS is available to private landlords and owner-occupiers. It is not available to invest in the Council's social housing.

13. The HEEPS:ABS fund is primarily for installing solid wall and 'hard-to-treat' wall insulation. Each Council is expected to target households that meet the criteria. Enabling funding is provided to Councils to assist in developing schemes, engaging with householders and to contribute towards the cost of scaffolding. The maximum amount Councils can claim for managing the fund is 15% of works carried out for the HEEPS:ABS grant.

14. Since 2017/18 the annual aggregate allocation of funding for retrofit through HEEPS: ABS in GCR hasn't been fully spent. The breakdown for ERC is shown in Table 1.

	2017/18		2018/19		2019/2020		2020/2021		2021/2022	
Council	2017/18 Core Funding Allocation	2017/18 Final Spend	2018/19 Core Funding Allocation	2018/19 Final Spend	2019/20 Core Funding Allocation	2019/20 Final Spend	2020/2021 Core Funding Allocation	2020/2021 Final Spend	2021/2022 Core Funding Allocation	2021/2022 Grant claimed
East Renfrewshire	£ 940,750	£ 173,414	£ 924,538	£ 310,716	£ 792,093	£ 514,209	£ 855,881	£ 794,984	£ 958,248	£ 815,500

Table 1

15. GCR, and indeed ERC, is not unique in Scotland in their challenges to spend the budget available to them from HEEPS: ABS. Across Scotland in 2020/21, £35.8m was spent against a budget of £55m (35% underspend). East Renfrewshire ranked 11/32 in terms of the amount of budget it spent against what was available (7% underspend) in 2021/22.

16. Housing officers, including ERC officers, have outlined to GCR PMO the challenges around fully utilising the budget available them. These issues are summarised below:

- **Very tight and restrictive timescales to respond with a full programme** of works to Scottish Government once funding is allocated.
- **A twelve month cycle of funding makes it difficult to be able to plan ahead** (proposed by GCR to be 3 yearly cycle). Local authorities are unable to put in place a strategic, planned programme of retrofit activity.
- **Inability of some local authorities to secure contractors due to the new PAS 2035 requirements.** PAS 2035, which is the industry code of practice for home energy retrofitting, is proving far more onerous for contractors, and this in turn is leading to a change in working practices. This is contributing to rising costs and contractors requiring more time to develop plans to ensure they can meet the new standards. Contractors risk losing their Trustmark accreditation if they are unable to comply, therefore more time is required to develop plans.
- The **fundamental challenge of mixed tenure housing** remains, where the inability or unwillingness of homeowners to participate results in the wider programme of investment failing to progress. In East Renfrewshire, we have seen charges to owner-occupiers increase as insulation project costs have increased and the grant does not provide full cover. This could mean charges of £4-5k for owner-occupiers, which can delay or stop projects from progressing.
- It is **a challenge to engage with Private Landlords due to funding rules.** This often leads to whole blocks missing out on the scheme. Private Landlords are only able to apply for ABS funding if they own two or fewer rental properties and only one Energy Efficiency Scheme grant contribution is permitted per owner across Scotland, thus excluding many privately rented properties.

Supply chain

17. GCR PMO will be engaging with ERC housing officers via the Housing Portfolio Group to map current retrofit contracts, supply chains and procurement plans. Experience in East Renfrewshire Housing Service projects is that costs have increased and materials are taking longer to arrive, post-Brexit.

Skills demand

18. Skills Development Scotland are working with the GCR PMO to evidence the demand for retrofit related jobs, which will form part of the Regional Economic Strategy. Experience in East Renfrewshire Housing Service projects is that labour availability has led to delays and increased costs.

19. The GCR PMO will continue to gather information and liaise with the Housing Portfolio Group. On behalf of the GCR, the Director of Economic Growth will engage with the Scottish Government, specifically to: raise the issues outlined by member authorities in relation to HEEPS: ABS funding; the need for a national communications strategy; support for contractors to meet PAS2035; and ensuring mixed tenure properties are not excluded.

20. East Renfrewshire is consulting on a Housing Strategy 2022-27 and is preparing a Get to Zero Action Plan. A Local Heat & energy Efficiency Strategy (LHEES) is required, by law, to be completed by 2023. Work on the LHEES is underway. These strategic plans will consider how all tenure (i.e. owner/occupier, private rental and social rental) homes can achieve low-emission heat and energy efficiency in the next 20 years. The Council will have a role to play in signposting private homeowners towards support, advice, expert consultancy and funding.

21. Whilst owner occupiers are 71% of properties across GCR, East Renfrewshire has 81% owner-occupiers. Overcoming the range of barriers to upscaling retrofit with owner occupiers will require a comprehensive framework of incentives and/or regulation being in place. The Scottish Government has stated that it is looking at regulation for owner occupiers but this is unlikely to be in place until after 2025.

22. 99.67% of the Council housing stock of around 3,000 properties is already achieving EPC C, which is the statutory target by 2025 for Energy Efficiency Standard for Social Housing (EESH). The EESH requirement by 2032 is for all Council houses to be EPC B. This will be much more challenging to achieve as earlier investments have already achieved many of the more affordable efficiency savings (e.g. insulation, more efficient gas boilers). The Council is undertaking survey work to understand the cost of achieving the 2032 target.

23. Housing services are assessing properties, researching options and piloting new approaches to inform the next investment strategy to achieve the 2032 target. The results from pilots are likely to be available in 2023.

FINANCE AND EFFICIENCY

24. There are no immediate cost or staff resource implications from this report.

25. Until the results of the pilots and research into achieving the 2032 target are completed in 2023, the actual cost of meeting this target is unknown. Therefore the cost of achieving the 2032 target for social housing is not currently part of Housing Capital Investment Plan.

26. The HEEPS: ABS funding is managed by Housing Services, which is funded by housing rents. Housing Services have to prioritise social housing to meet their legal and funding requirements. As HEEPS: ABS funding is aimed at private owners, this means that HEEPS: ABS funding is not able to be prioritised by Housing Services. The funding now allows for up to 20% for 'Administration and enabling' costs which will be used to fund more staff. Until 2022/23 this entitlement was 15%.

CONSULTATION AND PARTNERSHIP WORKING

27. The Council is working closely with the GCR PMO and the Housing Portfolio Group to consult with residents and engage Scottish Government to raise the business case for investment in retrofit.

IMPLICATIONS OF THE PROPOSALS

28. There are no property, legal, H&S, equalities or sustainability implications from this report.

CONCLUSIONS

29. The rate at which homes are being retrofitted to meet low-emission heating targets will need to increase rapidly in the next 10 years, in support of Scotland achieving net zero carbon emission by 2045.

30. The current pace of retrofitting homes has been slow. Private tenure homes have not utilised the budget available to them from HEEPS: ABS funding. The challenges of maximising the HEEPS: ABS funding is well understood and GCR will be engaging the Scottish Government to discuss improvements to the funding available for housing retrofit.

31. East Renfrewshire will address the challenge of retrofitting houses with GCR partners, and through the completion of a LHEES by the end of 2023. Progress with social housing has been better with the EPC C standard being achieved in 99.67% of social homes.

32. Achieving EPC B standard for social homes by 2032 will be more challenging and assessment, research and pilot studies will inform the next investment strategy in the Housing Capital Investment Plan.

RECOMMENDATIONS

33. Cabinet is recommended to note the progress and challenges faced in retrofitting homes across Glasgow City Region (and East Renfrewshire) and provide comment to inform further action.

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