



Glasgow City Region

Cabinet

Report by Director of Regional Economic Growth

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Item 4 (b)

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Home Energy Retrofit Final Report – Next Steps

Purpose of Report:

This report updates Cabinet on key points within the Strategic Programme Business Case for a Glasgow City Region approach to home energy retrofit and sets out proposed areas for future development and activity.

Recommendations

The Cabinet is invited to:

- (1) note the content of the report; and,
- (2) endorse the areas of activity to be progressed as set out in sections 4 and 5 of the report.

1. Purpose

- 1.1 This report updates Cabinet on key points within the Strategic Programme Business Case for a Glasgow City Region approach to home energy retrofit and sets out proposed areas for future development and activity.
- 1.2 The development of the proposal to progress a regional approach to home energy retrofit has been led and informed by the Housing and Equalities Portfolio Group, chaired by the Chief Executive of West Dunbartonshire Council (WDC), and supported by the City Region Programme Management Office (PMO).

2. Background

- 2.1 In May 2021, the Glasgow City Region Programme Management Office ('the PMO') appointed consultants Grant Thornton to develop a feasibility study to consider the main areas of activity that would require to be progressed to successfully deliver a large scale retrofit programme.
- 2.2 The following sections of this report will:
 - set out the key findings from the Grant Thornton report; and
 - propose priority areas of work for Glasgow City Region to progress.

3. Key Findings from the Report

- 3.1 The report from Grant Thornton considers the potential pathways to achieving Energy Performance Certificate (EPC) C for the 428,000 properties currently below this standard, as well as taking further steps to achieve low or net zero carbon solutions for all 886,156 domestic properties in the City Region. The following paragraphs summarise some of the key insights identified in the report.
- 3.2 **National Policy:** For retrofit to be successfully delivered at the scale required to meet net zero targets, clear political will from Scottish Government and UK Government, shown through policy and funding decisions, is a necessity.
- 3.3 **Funding Streams and Longevity of Funding:** There are currently multiple individual funding streams for retrofit activity, each with different criteria, often allocated to councils on a competitive basis. The existing short-term funding streams do not give businesses the long-term confidence of a multi-year pipeline of work that will encourage the acceleration and expansion of business investment in the skills of their staff and manufacturing capability. The availability of funding has been identified as the top risk to the delivery of retrofit at scale.
- 3.4 **Cost of Retrofit:** The report sets out a number of high-level funding scenarios. The projected cost of bringing all homes across the GCR to Energy Performance Certificate (EPC) C and above, with many being EPC B and above and some close to or at net zero is estimated to be in the region of £10.7 billion. The report

sets out further scenarios as requiring up to £600 million investment per annum for a 15-year period.

- 3.5 **Owner Occupiers:** Owner occupiers are 71% and private landlords are 12% of the 428,000 properties identified as requiring to be retrofit to achieve the standard of Energy Performance Certificate C. The report identifies working with owner occupiers as one of the most significant risks to delivery. 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.
- 3.6 **Public Engagement:** The support for tenants and owner occupiers will be vital if a large retrofit programme is to be a success. Reasonable measures, early successes on the back of pilot projects, and an easy to access process, underpinned by a funding model that aligns with expectations, is the path to achieving this. While a comprehensive widespread framework of incentivisation and regulation is vital to deliver retrofit, strong messaging from local and national government also has a key role to play gaining and maintaining public support.
- 3.7 **Supply Chain Capacity:** The report identifies a lack of supply chain capacity as one of the most significant risks to the delivery of retrofit, but also the opportunity to expand the local supply chain (including voluntary sector and social enterprises, SMEs and public sector delivery organisations/direct labour organisations) as being one of the greatest potential benefits. It is expected that businesses will invest in their workforce skills and manufacturing capacity in response to a long-term pipeline of retrofit works contracts being put in place, however the scale of the programme means it is likely that public sector intervention will be required.
- 3.8 **Skills:** The report recognises the need to significantly increase training across a range of occupations within construction and more specialist retrofit roles (including PAS2035 Retrofit Co-ordinators). Grant Thornton identified the principal barrier identified through their consultation was the lack of a clear long-term pipeline of retrofit work, which prevents clarity in what training should be offered and by when. Other factors included the attractiveness of the industry, and the delay to reskilling gas engineers when residents are likely to continue use of gas boilers for as long as possible while it remains cheaper than electricity.
- 3.9 **Data:** There are some strong high level data sources for retrofit which are a good starting point, but there needs to be more work done to develop a central and reliable source of data for current retrofit activity. This will include much more granular assessments of properties to provide Glasgow City Region with a more detailed understanding of the retrofit measures for local housing stock.

4. Proposed Priority Areas

- 4.1 The proposed areas to be developed in response to the Grant Thornton report are set out in the remainder of Section 4 below.

Stimulate Market Demand Through a Pipeline of Work

- 4.2 Businesses will only increase their capacity and invest significantly in skilling their employees if they have confidence that there is a long-term pipeline of retrofit work. A pipeline of work at the scale required to deliver net zero isn't currently in place, in contrast to the disparate and short-term nature of much of the current funding for retrofit.
- 4.3 Recognising that overcoming the multiple challenges of upscaling retrofit to owner occupiers and private landlords will require a framework of incentives and regulation to be put in place by national government, the best opportunity to stimulate market demand and provide the certainty of a pipeline of investment is by increasing the amount of investment and the duration of the funding programmes for retrofit in RSL and local authority housing stock.
- 4.4 Through discussion with the Scottish Government, Glasgow City Region should explore how an increased multi-year funding programme for RSL and local authority housing stock can be delivered. This would allow Glasgow City Region to start to progress work with the local supply chain to improve capacity and invest more in training new employees and reskilling existing workers to deliver retrofit.

Supply Chain: Market Capacity/Capability, Quality Assurance, and Management

- 4.5 Securing the economic benefits of retrofit will require Glasgow City Region to support the growth of new and the expansion of existing businesses, both through the installation, maintenance and repair of retrofit solutions, but also through the capacity to manufacture materials locally (insulation, heat pumps, windows etc) required to deliver retrofit.
- 4.6 Glasgow City Region should work with Scottish Enterprise to develop a detailed map of the existing local supply chain, and the capability to manufacture retrofit related materials and products. This exercise will identify the steps that should be taken to scale up the local installation and manufacturing capability and capacity. This will be dependent on a scaling up in the demand side through a substantially increased pipeline of retrofit investment.
- 4.7 The report highlights existing examples of supply chain management for other retrofit projects. This management is a core function which will:
- ensure robust quality assurance is in place for all retrofit work;
 - carry out due diligence on the supply chain;

- deliver community benefits by supporting the recruitment of new entrants and apprentices; and,
- focus the opportunities towards locally based contractors in Glasgow City Region.

4.8 The examples highlighted by Grant Thornton should be considered by Glasgow City Region and discussion should take place with how these fit with existing organisations and structures.

Owner Occupiers

4.9 While the focus of short-term activity to upscale retrofit activity should be with RSL and local authority stock, there needs to be continuing and increased engagement with owner occupiers with the aims of:

- increasing the uptake of existing retrofit support through current loans and grants that are available to owner occupiers; and
- engaging with owner occupiers to understand the barriers to them retrofitting their homes.

4.10 Communication with owner occupiers will require to be done at a national level, with clear messaging coming from the Scottish Government about what will be required to bring homes up to the standard that meets the national policy objective of net zero by 2045. Across the region there will require to be engagement with residents to maximise the uptake of existing programmes directed towards owner occupiers. The Intelligence Hub is developing options for a resident survey to gain improved understanding of actual and perceived barriers to increasing uptake of existing products.

Training and Reskilling

4.11 To meet an increased demand for retrofit, businesses will require qualified staff to deliver the work. While much of this training will be delivered by industry, it is clear from the Grant Thornton report that, this will also need public sector intervention by the local authorities and the Scottish Government and its agencies. There are examples from elsewhere, including Greater Manchester, where skills projects have been established to focus on reskilling that existing members of the workforce, and training new entrants for retrofit work.¹

4.12 In partnership with Skills Development Scotland, Glasgow City Region will explore how we can ramp up skills provision to meet the requirements of a substantially funded pipeline of retrofit work.

¹ <https://marketingstockport.co.uk/news/training-academy-launches-to-provide-skills-to-retrofit-greater-manchester-buildings-for-a-low-carbon-future/>

Data

- 4.13 The Grant Thornton report highlights the challenges of gathering accurate data around the delivery of retrofit activity which is not currently collated either regionally or nationally. It also proposes a number of recommendations to improve data sharing between the member authorities, Scottish Government and other key partners such as the Energy Savings Trust.

Governance

- 4.14 The report proposes setting out a number of workstreams to progress the planning and delivery of regional retrofit work. This is a similar approach to that of Greater Manchester Combined Authority which has established a Taskforce, chaired by the Mayor of the Combined Authority, and split into a number of discrete workstreams.

5. Proposed Next Steps

- 5.1 Glasgow City Region has established an Expert Advisory Group, chaired by Prof. Alan McGregor of the University of Glasgow, and it is proposed that we continue to draw on this expertise but in smaller groups across each proposed workstream. It is proposed that the membership of each workstream would reflect the main delivery bodies for that theme, along with relevant expert advisors.
- 5.2 It is proposed that the initial workstreams might focus on:
- **Residents** – including 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.
- 5.3 The Housing and Equalities Portfolio Group has supported the PMO in the development of this work and it is proposed that the recommendations of the report are taken to the Portfolio Group for consultation and to inform our discussion with the Scottish Government and other key partners and that the PMO engages with the Portfolio Group to develop the relevant workstreams required to progress the recommendations of the Grant Thornton report and next steps set out in this report.
- 5.4 Following consultation with the members of the Housing Portfolio Group and the Expert Advisory Group, the PMO will report back to the Chief Executives' Group on a proposed governance structure to progress the work.

6. Recommendations

6.1 The Cabinet is invited to:

- (1) note the content of the report; and,
- (2) endorse the areas of activity to be progressed as set out in sections 4 and 5 of the report.