

# **Heat in Buildings - National Scheme - Island Communities Impact Assessment Screening**

**September 2022**

## Islands Communities Impact Assessment

### 1. Step One - Develop A Clear Understanding of Your Objectives

- What are the objectives of the policy, strategy or service?
- Do you need to consult?
- How are islands identified for the purpose of the policy, strategy or service?
- What are the intended impacts / outcomes and how do these potentially differ in the islands?
- Is this policy, strategy or service new?

The Heat in Buildings Delivery Unit is procuring the successor to the Warmer Homes Scotland scheme. The Warmer Homes Scotland contract is due to expire 30 June 2023. The new successor scheme is due to go live 3 July 2023

Warmer Homes Scotland retrofits privately occupied homes with heating systems and energy efficiency measures, including high heat retention electric storage heating systems, air source heat pumps, energy efficient gas boilers and a suite of highly effective insulation options. Eligibility for the scheme is targeted toward the fuel poor, with benefits eligibility, age and personal circumstances used as proxies for fuel poverty. Eligibility for the scheme is continuously reviewed to align it more closely with the fuel poor demographic.

The successor scheme will follow the same successful model as the existing scheme, of a contract with a Managing Agent to provide a consistent service nationally using a network of installers. The scheme aim has been refined to supporting the fuel poor through the heat transition.

The scheme will be accessible to all households in Scotland which will include island households where they meet the eligibility requirements for the scheme. The intended outcomes for island households are the same as that for mainland households - to deliver a fuel bill saving for those in fuel poverty and to decarbonise the heating system where it is not detrimental to our fuel poverty principles.

There are 6 Key Performance Indicator (KPI) regions within the existing contract and performance levels have to be reached across all regions in order for a performance linked fee to be paid. The new contract will continue to identify islands as a distinct group for measuring KPIs, ensuring the same high standard of performance is consistent across the country.

For the purposes of the scheme, island communities are defined using the Islands Act definition - "an island community as a community that consists of two or more individuals, all of whom permanently inhabit an island (whether or not the same island), and is based on common interest, identity or geography (including in relation to any uninhabited islands whose natural environment and terrestrial, marine and associated ecosystems contribute to the natural or cultural heritage or economy of an inhabited island)"

## 2. Step Two - Gather Your Data and Identify Your Stakeholders

- What data is available about the current situation in the islands?
- Do you need to consult?
- How does any existing data differ between islands?
- Are there any existing design features or mitigations in place?
- Who do you need to consult with?

The available data indicates fuel poverty and extreme fuel poverty are higher in rural and island communities.

Fuel poverty, extreme fuel poverty and fuel poverty gap data for island local authorities, 2017-19: Scottish House Condition Survey: Local Authority Analysis 2017-2019 - gov.scot ([www.gov.scot](http://www.gov.scot))

Local authority	Fuel Poverty rate	Extreme Fuel Poverty rate	Fuel Poverty gap – median	Fuel Poverty gap – median (adjusted for 2015 prices)
Argyll and Bute	32%	19%	£1,100	£1,040
Highland	33%	22%	£1,260	£1,180
Na h-Eileanan Siar	40%	24%	£1,430	£1,350
North Ayrshire	28%	10%	£470	£460
Orkney Islands	31%	22%	£1,640	£1,580
Shetland Islands	31%	22%	£1,500	£1,420
Scotland	24%	12%	£690	£650

In the period 2017-2019, the fuel poverty rate varied from 13% in East Renfrewshire to 40% in Na h-Eileanan Siar compared to the average in Scotland of 24%. Seven local authorities had significantly higher fuel poverty rates than the national average, these were: Na h-Eileanan Siar (40%), Highland (33%), Argyll and Bute (32%), Moray (32%), Dundee City (31%), Shetland Islands (31%) and Orkney Islands (31%). Five local authorities had significantly lower fuel poverty rates than the national average, these were: East Renfrewshire (13%), West Lothian (18%), Midlothian (19%), North Lanarkshire (20%) and City of Edinburgh (21%).

In the same period, the extreme fuel poverty rate varied from 7% in East Renfrewshire to 24% in Na h-Eileanan Siar compared to the average in Scotland of 12%. Seven local authorities had significantly higher extreme fuel poverty rates than the national average, these were: Na h-Eileanan Siar (24%), Orkney Islands (22%),

Shetland Islands (22%), Highland (22%), Argyll and Bute (19%), Moray (19%) and Perth and Kinross (18%). All of these local authorities also had a greater prevalence than average of lower energy efficient properties. Four local authorities had significantly lower extreme fuel poverty rates than the national average, these were: East Renfrewshire (7%), Midlothian (7%), North Lanarkshire (7%) and East Dunbartonshire (8%). Midlothian and North Lanarkshire have a higher prevalence of higher energy efficient homes compared to the national average. East Renfrewshire and East Dunbartonshire have a similar prevalence of higher energy efficient homes compared to the national average.

In the period 2017-2019, both the median fuel poverty gap and the median gap adjusted for 2015 prices were generally higher in island and rural local authorities.

Island and rural local authorities generally had the highest proportion of the least energy efficient dwellings (those rated EPC F or G) on average over 2017-19 (SAP 2012, RdSAP v9.92). A total of eleven local authorities had rates above the national average (4%), with the highest being Na h-Eileanan Siar (18%), Orkney Islands (17%), Dumfries & Galloway (15%), Shetland Islands (14%). These local authorities also had the lowest proportions of properties in the highest efficiency bands. Glasgow City (1%), Aberdeen City (1%), Renfrewshire (2%), South Ayrshire (2%) and Fife (3%) had the lowest average shares of F or G rated dwellings and were statistically different from the national average. Correspondingly, Glasgow City and Renfrewshire also had higher than average proportions of B or C rated dwellings. Island and rural local authorities tended to have lower than average proportions of B or C rated dwellings with Shetland Islands (8%), Na h-Eileanan Siar (9%) and Orkney Islands (15%) having the lowest. West Lothian had the highest proportion of B or C rated dwellings (61%) compared to 45% in Scotland overall.

Therefore, eligibility for the scheme may be proportionally higher in the island region.

Two barriers to undertaking energy efficiency work on islands are an undeveloped local supply chain and potential higher costs for installation measures.

The current design of the scheme mitigates these main issues through two design features. These features will be replicated in the new scheme. The scheme will operate a national pricing model where the cost of measures are averaged across the country to provide a single measures price. So the cost of installing a heat pump on an island will be the same as for a central mainland location.

The supply chain and shortage of available tradespeople to undertake the work is mitigated by a guaranteed national service which will be built into the contract. One of the KPIs within the current contract is completion of the customer journey from installation to inspection within 65 days.

The new contract will also aim to encourage improvements to local supply chains through community benefit targets included in the contract.

As of 6 September 2021, the Scottish Government no longer provides support through our delivery schemes for the installation of Oil and LPG heating systems. The new scheme will support households in the transition to decarbonised heating

systems across the entire scheme including those in off gas areas. To support this, grant levels will be adjusted to account for the higher costs associated with lower emissions installations and the need for greater insulation measures than is needed to support installs of fossil fuel measures. Where possible, the new scheme will look to mitigate any electrical supply issues through the provision of micro generation technology and increasing supply capability for households where low/ zero emissions heating systems are being installed.

The retrofit process undertaken will conform to PAS 2030 and PAS 2035 standards. This means that the long term suitability of any work will be considered as part of the survey and measure recommendation. This long term approach will contribute towards the sustainability of island communities.

### 3. Step Three- Consultation

- How will you carry out your consultation and in what timescales?
- What questions will you ask when considering how to address island realities?
- What information has already been gathered through previous engagements?
- What island community concerns are you already aware of ?
- Is your consultation robust and meaningful and sufficient to comply with the Section 7 duty?

It is not proposed for any new consultation to be undertaken for the procurement of the new scheme, as the successor scheme is already listed as a mitigating action within both the Heat in Buildings strategy and Fuel Poverty Strategy towards consultations they have already undertaken.

The Heat in Buildings Strategy, published October 2021, outlines the steps the Scottish Government will take to reduce greenhouse gas emissions from Scotland's homes, workplaces and community buildings and to ensure that we remove poor energy performance as a driver of fuel poverty. The focus of this Strategy is on energy demand for space and water heating in homes, workplaces and community buildings. The strategy will be accompanied by an ICIA. As part of developing the ICIA, the strategy team undertook consultation with Island stakeholders and issues/ concerns raised by this group will be reflected in the final ICIA, with any potential mitigating actions relating to the new national delivery scheme being pursued by the Heat in Buildings national delivery team when procuring the successor.

The Fuel Poverty strategy was published in December 2021 The Heat in Buildings Delivery Unit will review any mitigating actions proposed in relation to the procurement of the successor scheme and adopt into delivery of the scheme mitigating actions which are agreed.

#### 4. Step Four - Assessment

- Does your assessment identify any unique impacts on island communities? (Further detail in the Guidance)
  - Demographic
  - Economic
  - Gaelic
  - Social
- Does your assessment identify any potential barriers or wider impacts?
- How will you address these?

As referred to in Section 2 above, Island communities are likely to have a proportionally higher number of people that will be eligible for the scheme, and it is important that they are well served by Scottish Government fuel poverty schemes. Specific needs of island communities have been built into the existing scheme, and incorporated into the Lessons Learned for the design of the successor scheme. For example when reflecting on suitability of measures included in the scheme, we have specifically asked for feedback on the specific challenges faced in retrofitting buildings in rural and remote communities . Work undertaken under the core route of the scheme targeted at fuel poor households aims to improve energy efficiency and where possible provide fuel bill savings to support these households.

An SEA screening form has been submitted to highlight the potential environmental impact of microgeneration options included within the scheme. These will be subject to planning permission and so any specific considerations on natural environment impact for islands will be able to be considered on a case by case basis.

The contract for the scheme will be awarded to a sole supplier, but it is envisaged that the delivery will rely on a network of sub-contractors which is the delivery model for the current scheme. The Heat in Buildings Delivery Unit will be hosting a virtual suppliers event to inform potential contractors and sub-contractors of the upcoming tender of the scheme. This event will highlight these requirements, allowing sufficient lead in time for smaller companies to meet the requirements of the scheme. It will also provide networking opportunities at which smaller companies may decide to form Joint Ventures or develop sub-contractual relationships with a larger managing partner. .

#### 5. Is a full Islands Communities Impact assessment Required?

You must now determine whether, in your opinion, your policy, strategy or service is likely to have an effect on an island community which is significantly different from its effect on other communities (including other island communities).

To form your opinion, the following questions should be considered:

- Does the evidence show different circumstances or different expectations or needs, or different experiences or outcomes (such as different levels of satisfaction, or different rates of participation)?

- Are these different effects likely?
- Could the effect amount to a disadvantage for an island community compared to the mainland or between island groups?

If your answer is No to the above questions, please complete the box below.

If the answer is Yes, an ICIA must be prepared and you should proceed to Step 5.

A full Islands Communities Impact assessment is not required.

Islands are within regions which have higher rates of fuel poverty. Islands experience different circumstances from other communities (including island communities) in relation to energy efficiency. However the design and content of the scheme will ensure parity of service provision across the country including islands and result in measures and mitigations which will take into account the specific island circumstances.

Within the current scheme, island households receive proportional access to the scheme. For example the below table outlines the number of households of completed applications per 1,000 people for scheme year 2020-2021:

Region	Completed applications	Population (Projection 2019)	Completed applications per 1,000 people
<b>Islands</b>	132	102,297	1.0
<b>Highlands</b>	210	295,942	0.9
<b>North East</b>	430	1,003,170	0.4
<b>South West</b>	258	513,591	0.5
<b>South East</b>	586	1,396,640	0.4
<b>Strathclyde and Central</b>	1,288	2,151,660	0.6
<b>Scotland Total</b>	2,904	5,463,300	0.7

Any different circumstances, expectations, needs, experiences or outcomes for islands will be identified through the Impact Assessments prepared to support the Heat in Buildings Strategy and Fuel Poverty Strategy which are the overarching strategies which inform and enable the procurement of this scheme.

6. A Full Islands Community Impact Assessment is NOT required

In preparing the ICIA, I have formed an opinion that our policy, strategy or service is NOT likely to have an effect on an island community which is significantly different from its effect on other communities (including other island communities). The reason for this is detailed below.

**Reason for not completing a full Islands Communities Impact Assessment :**

The scheme will operate a national pricing model and ensure national coverage of service which means Island communities will not experience a different effect/ outcome of the scheme to other communities.

**Screening ICIA Completed by:** Lyle Cavin  
Heat in Buildings Delivery Unit - National Scheme Team - Delivery Manager  
**Signature and Date:** Lyle Cavin 13/06/21

**ICIA Authorised by:** Sue Kearns  
Deputy Director - Heat in Buildings Division  
**Signature and Date:** Sue Kearns 13/06/21



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