

Warm Homes Bill briefing series - Autumn 2017

This is one of a series of briefings proposing measures for inclusion in the forthcoming Warm Homes Bill. We wish to ensure the Bill addresses barriers and creates opportunities to bring low-carbon and affordable warmth to all households in Scotland.

Legislative proposal – an independent body

We call upon the Scottish Government to bring forward proposals within the Warm Homes Bill which would require the establishment of an independent body by an agreed date, whose remit would include (but not be restricted to) overseeing the delivery of the National Infrastructure Priority on Energy Efficiency.

The Alliance believes there should be an independent body with the remit for overseeing the delivery of the National Infrastructure Priority (NIP) for Energy Efficiency in Scotland, including the Scottish Energy Efficiency Programme (SEEP). This body would be responsible for strategic oversight and coordination of SEEP and for ensuring it is delivered effectively. The agency would report to Ministers and the Parliament against the SEEP strategic plan and targets.

While this body's remit should include energy efficiency and low-carbon heat, there is merit in considering a broader remit including clean energy, or energy policy issues more generally.

Rationale

SEEP will impact across numerous government portfolios, several administrations, various levels of government and other agencies. It will require policy development and implementation across a diverse range of specialist areas.

It will run over the next 15-20 years and deliver an estimated overall investment of more than £10b, with at least £0.5b over 4 years already committed under the current Programme for Government.¹

It will include the development and implementation of national and local programmes and impact a wide range of agencies and businesses including Energy Saving Trust, Resource Efficient Scotland, Local Energy Scotland, private energy supply companies and the energy efficiency and low carbon heat industry. It will engage central and local governments in Scotland, which will have a central role in overseeing its delivery, and operate within Scottish, UK and international legislative frameworks.

It will require expertise in a diverse range of specialist policy areas including;

- Building standards
- Low-carbon heat technologies
- Fiscal incentives, grants and loans
- Recently devolved welfare powers such as winter fuel and cold weather payments
- Issues of skills, training, consumer advice and protection
- The development and enforcement of regulatory standards for energy performance of domestic and non-domestic buildings

¹ Scottish Government consultation, *Energy strategy – Scotland's Energy Efficiency Programme (2017)*

- Processes of monitoring, reporting and review

The successful development and implementation of this National Infrastructure Priority will therefore require coordination, expert staff with a wide range of specialisms, along with adequate resources and powers.

A recent report from National Audit Office (NAO) expressed concern about the number of UK infrastructure projects rated in doubt or unachievable (1/3).² The causes included;

- Absence of portfolio management at both departmental and government level
- Lack of clear, consistent data with which to measure performance
- Poor early planning
- Lack of capacity and capability to undertake a growing number of projects
- Lack of clear accountability for leadership of a project

An independent body could be tasked with ensuring potential weaknesses are avoided, delivering value for money, and delivering the most effective impacts on various policy goals related to security of supply, climate change, fuel poverty, health, jobs and economic development.

Details of proposals

In its response to the draft Energy Strategy, including SEEP, the Economy, Jobs and Fair Work Committee noted, *“Given the scale and complexity of ... the strategy, it will be important to ensure good governance, policy expertise, cross-party buy-in ... and long-term ownership. ... In the interests of ensuring continuity of delivery for the strategy, the Committee recommends a long term framework be put in place; one which could include the establishment of an independent body.”*³

The establishment of an independent body would address concerns that Scottish Government officials do not have adequate capacity or expertise to oversee the delivery of such a large infrastructure programme and ensure value for public sector investment. This new body could provide the necessary skills, drive and leadership for this programme.

The benefits of such a body could include;

- Sufficient staff capacity, expertise, and continuity
- Regular reporting to a cabinet delivery group
- Clear accountability and leadership to deliver best value
- Strategic partnership working

We believe an independent dedicated body is best suited to avoid risks and deliver benefits.

Remit

The remit and structure for such an agency will require consideration of what policy areas and strategies it is intended to oversee.

The scope of the agency, whether it is focused solely on overseeing the delivery of the National Infrastructure Priority for Energy Efficiency, or whether it has a wider focus on energy policy and strategy will determine its remit, type and structure.

² NAO, *Delivering major projects in government: a briefing for the Committee of Public Accounts (2016)*

³ Economy, Jobs and Fair Work Committee, *Response to Draft Energy Strategy (June 2017)*

We acknowledge there is a case that can be made to broaden the remit of such an agency to ensure benefits of economies of scale and of coordination across energy policy generally (as is the case in the examples of the USA and Denmark).⁴ However, we focus here on the remit it might have in driving forward SEEP.

The agency's role could include:

Research and policy development

- Overcoming barriers such as supply of skilled labour, and consumer trust
- Overcoming regulatory barriers through the development of policy in relation to housing standards, historic buildings, and planning etc.

Finance and incentives

- Developing fiscal incentives
- Creating and reviewing other forms of financial support and incentives

Programme development and implementation

- Oversight and commissioning of schemes at national level and support for local authorities developing and implementing Local Heat and Energy Efficiency Strategies (LHEES)
- Developing clear methodologies for LHEES
- Providing procurement guidance
- Improving guidance on appropriate measures for the housing stock
- Supporting the dissemination of best practice
- Facilitating and supporting partnership working

Enforcement

- Setting quality standards
- Enforcing standards for e.g. inspection, certification, training and installation

Monitoring, reporting, review

- Monitoring progress towards final and interim targets
- Reporting on progress to Ministers and Parliament
- Reviewing relevant strategies and bringing forward proposals for changes as required

Consumer engagement

- Ensuring that there is a single national point of consumer engagement, advice and support that can refer into local schemes and support.
- Co-ordinate communications and engagement with the public and partners.

Type of body

An independent body, created by statute and with adequate powers to effectively develop and influence policy and with secure long-term funding.

⁴ International Energy Agency, *Energy Efficiency Governance, (2010)*.

A recent report from the International Energy Agency analysed energy efficiency governance arrangements in 110 countries and produced a series of recommendations.⁵ While the report noted various organisational types suited to the oversight and delivery of national energy efficiency policy, programmes and targets, the most successful are those required by statute.

The report notes those required by statute benefit from the requirement for them to be designed after extensive consideration by policy makers, parliaments and stakeholders. They are therefore most likely to be closely aligned to clearly defined remits and national purposes. They were also found to have a reputational advantage among stakeholders and were able to attract and retain staff due to their establishment in law.

Another common factor among successful agencies was secure, long-term funding.

In the Scottish context, there are a range of options we believe are worthy of consideration:

- a) An Executive NDPB could be aligned with the National Performance Framework, National Infrastructure Priority and a range of social and environmental targets; be established within the Warm Homes Bill; and be focused on delivering the range of functions suggested above. It would also have a board with external stakeholders.

An example of such is the Highlands and Islands Enterprise which is aligned with Scotland's Economic Strategy, and which delivers across a wide variety of policy areas.

The Scottish Futures Trust model may also be worth exploring as a way of developing and delivering the required expert support and capacity to already existing organisations.

- b) Alternatively, an Executive Agency may be created, such as Transport Scotland, which also oversees the development and roll out of major infrastructure projects. However, this type of agency may be less independent and we believe such independence might be useful for the role of monitoring and reviewing programmes and policy.

There are then a variety of options for the legislative establishment of a body to oversee this National Infrastructure Priority. The details of such should be explored during the parliamentary process surrounding the Warm Homes Bill.

Further information:

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ExHA is a coalition of housing, environmental, fuel poverty and industry organisations calling for urgent action to transform Scotland's existing housing stock.

⁵ Ibid.