

Midlothian Local Heat & Energy Efficiency Strategy

Report by Kevin Anderson, Executive Director Place

Report for Decision

1 Recommendations

Council is recommended to;

- i. Note the progress and programme for the development of the Midlothian Local Heat and Energy Efficiency Strategy (LHEES) and the next stage for public engagement with the draft strategy and delivery plan included as Appendices, and
- ii. Agree to the LHEES Strategy and Delivery Plan as feedback from the Scottish Government is positive and the Strategy adheres to their requirements.

2 Purpose of Report/Executive Summary

2.1 The purpose of this report is to provide an update on The Local Heat & Energy Efficiency activity and strategy documentation/action plans.

2.2 The Local Heat and Energy Efficiency Strategy (LHEES) and delivery plan is a statutory piece of legislation designed to be used as a route map to decarbonise all of the buildings (domestic and non-domestic) within Midlothian Council's estate by assigning energy efficiency and district heating zones. The report provides an update on the progress in respect to the Midlothian Strategy, the Delivery Plan and next steps.

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3 Background

- 3.1** Local Heat and Energy Efficiency Strategies (LHEES) are at the heart of a place based, locally led and tailored approach to delivering the transition to climate-friendly, more energy efficient homes and non-domestic buildings. These local Strategies will set out the long-term plan for decarbonising heat in buildings and improving their energy efficiency across an entire local authority area.
- 3.2** LHEES is primarily driven by Scotland's statutory targets for greenhouse gas emissions reduction and fuel poverty:
- Net zero emissions by 2045 and 75% reduction by 2030.
 - In 2040, as far as reasonably possible, no household in Scotland is in fuel poverty.
- 3.3** The Council appointed Changeworks in January 2023 to complete the LHEES Methodology stages 1-4. Followed by the employment of the LHEES Lead Officer to complete the LHEES Strategy and Delivery Plan, with the first draft required by the end of December 2023 to comply with the legislative requirement. The draft strategy and delivery plan is included as Appendix B.
- 3.4** This is now subject to approval by Council, following which the final strategy and action plan will be published and made available publicly. After publication a full engagement campaign will be undertaken. Officers have been in regular communication with the Scottish Government as progress in this process.
- 3.5** The LHEES details potential Heat Network Zones across Midlothian where there is a density of properties requiring heat that could form a heat network work in those areas. In addition, energy efficiency zones have been identified with a focus on those places where fuel poverty is currently having the greatest impact. Those areas would be prioritised for area-based schemes. Areas with good potential for heat pumps have been identified and are also highlighted in the strategy.
- 3.6** Overall, Midlothian Council's LHEES sets out a strategy to provide low carbon heat that is affordable to as many households and buildings as possible. Driving low cost, low carbon heat over the expensive and challenging fabric first retrofit approach will enhance the likelihood of achieving our net zero targets, whilst still abiding by our six LHEES outcomes. Keeping the focus on making buildings ready for low carbon heat will allow us to take heat further. This pragmatic approach does not mean that building fabric and energy efficiency measures are not important; we will still endeavour to improve our buildings, however due to the cost and disruption implications seeking to prioritise the fabric first approach then there is a risk that low carbon heating will never be rolled out at scale, and consequently the risk of missing decarbonisation targets will be missed.

3.7 Key LHEES Outcomes:

1. For Midlothian's communities and property decision makers to be engaged and empowered to deliver Net Zero heating targets, including making homeowners and tenants aware of funding and support available to them.
2. Working with Midlothian Energy Limited to find low/zero carbon heat solutions to meet the Council's climate change targets.
3. Work to alleviate fuel poverty by bringing forward solutions that move people out of fuel poverty or prevent them falling further into fuel poverty.
4. Make Midlothian's homes and buildings as energy efficient as possible using a fabric first approach.
5. Ensure that Midlothian Council will have an awareness of investment and grant funding opportunities and seek to secure these opportunities to deliver heat decarbonisation projects.
6. Work to whenever possible to create and keep jobs and revenue from heat decarbonisation projects within the Midlothian economy.

- 3.8** Midlothian has 40,000 domestic properties, the majority (73%) were built pre 1984, this is similar to the national average of (70%). The older housing is typically located in the smaller mining villages. The tenure profile highlights that the majority (75%) are owner occupied, 11% council housing and 10% privately rented.

The main fuel type is gas (89%) and most homes have an Energy Performance Certificate of C-D level (78%). It is expected that the properties connected to the gas network will be connected to a District Heating Network in the future. The other properties that are currently heated by either oil, electricity or Liquefied Petroleum Gas will have to find an alternative solution. The main heat network zones in Midlothian are Danderhall, Penicuik, Loanhead and Dalkeith.

3.9 Key actions required within 6 months of LHEES Publication:

- Conduct Non-Domestic analysis
- Complete Portfolio Energy Assessment Tool (PEAT) analysis
- Complete Building Assessment Reports (BARs) for required MC owned buildings

4 Report Implications (Resource, Digital and Risk)

4.1 Resource

The LHEES remit is significant and impacts all areas of Council delivery. The LHEES Lead will facilitate implementation and there will also be a requirement for significant input from other service areas. Scottish Government have allocated £75k of funding up to 2027/28. In 2023/24 the Council has £150k of budget (£75k each for 22/23 and 23/24).

There are significant financial, legal and resource implications anticipated for the Council associated with meeting its LHEES Targets. This is also the case for the LHEES Delivery Plan which contains several actions that are currently unfunded. The delivery plan proposes a number of actions all of which will require further consideration and business case evaluation against the background requirement to achieve Net Zero by 2040 and the Council's own commitment to achieve that by 2030. The development of these will be brought forward in conjunction with our joint venture, Midlothian Energy Limited, there will be costs associated and they may be substantial however these costs are currently simply unknown at present. Content of the Delivery Plan will require a full business development case for each proposed action.

There is a specific financial ask for planned engagement activities. The LHEES Lead officer will be undertaking an LHEES engagement campaign in the Summer of 2024 and there will be costs associated with this. It is predicted that there will be £15k p.a. underspend on the annual Scottish Government grant funding after LHEES Lead costs have been deducted. Engagement costs can be easily covered within this figure.

4.2 Digital

No digital issues.

4.3 Risk

The 'Local Heat and Energy Efficiency Strategies Order 2022' was passed by the Scottish Parliament and has now been made a Scottish Statutory Instrument, coming into force on 21st May 2022. The order places a duty on Local Authorities to prepare, publish and update:

- A local heat and energy efficiency strategy; and
- A local heat and energy efficiency delivery plan.

The first strategy and plan was required to be published on or before 31st December 2023 and thereafter must be kept under review and updated at intervals of no more than 5 years of the publication date.

The draft Strategy and Delivery Plan was completed and submitted to the Scottish Government before 31st December 2023 for review prior to formal approval by Council, prior to publication during the first quarter 2024/25. Scottish Government are aware of this timetable and have not raised any concerns.

The proposal outlined in this report supports the vision of Midlothian Council; also the Climate Emergency Group and Community Planning Partnership to make significant progress towards net zero carbon emissions by 2030. The recent announcement by the Scottish Government of the removal of the 2030 target presents a risk to the Council's target and may make the case for a longer timescale to deliver carbon

reductions from available resources.

4.4 Ensuring Equalities (if required a separate IIA must be completed)

The Council is required to have regard to the Equality Act 2010 and the public sector equality duty (PSED). The PSED places a statutory duty on the Council in the exercise of its functions to have due regard to the need to: (1) eliminate discrimination (2) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it and (3) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

- Strategic Environmental Assessment is complete – no further work required
- Integrated Impact Assessment has been completed and had sign off in March 2024

4.5 Additional Report Implications

Appendices

Appendix A – Additional Report Implications

Appendix B – Background information/Links

APPENDIX A – Report Implications

A.1 Key Priorities within the Single Midlothian Plan

A.2 Key Drivers for Change

Key drivers addressed in this report:

- Holistic Working
- Hub and Spoke
- Modern
- Sustainable
- Transformational
- Preventative
- Asset-based
- Continuous Improvement
- One size fits one
- None of the above

A.3 Key Delivery Streams

Key delivery streams addressed in this report:

- One Council Working with you, for you
- Preventative and Sustainable
- Efficient and Modern
- Innovative and Ambitious
- None of the above

A.4 Delivering Best Value

The report does not directly impact on Delivering Best Value

A.5 Involving Communities and Other Stakeholders

The report does not directly relate to involving communities

A.6 Impact on Performance and Outcomes

The report does not directly impact on Midlothian Council's performance and outcomes

A.7 Adopting a Preventative Approach

Not applicable

A.8 Supporting Sustainable Development

Not applicable