

**4. Please indicate which category best describes your organisation**

**(Tick one only)**

<b>Executive Agencies and NDPBs</b>	<input type="checkbox"/>
<b>Local authority</b>	<input type="checkbox"/>
<b>Other statutory organisation</b>	<input type="checkbox"/>
<b>Registered Social Landlord</b>	<input type="checkbox"/>
<b>Representative body for private sector organisations</b>	<input checked="" type="checkbox"/>
<b>Representative body for third sector/equality organisations</b>	<input type="checkbox"/>
<b>Representative body for community organisations</b>	<input type="checkbox"/>
<b>Representative body for professionals</b>	<input type="checkbox"/>
<b>Private sector organisation</b>	<input type="checkbox"/>
<b>Third sector/equality organisation</b>	<input type="checkbox"/>
<b>Community group</b>	<input type="checkbox"/>
<b>Academic</b>	<input type="checkbox"/>
<b>Individual</b>	<input type="checkbox"/>
<b>Other – please state...</b>	<input type="checkbox"/>

## CONSULTATION QUESTIONS

1. Are the vision and objectives as set out in sections 19 and 20 appropriate for Scotland's Sustainable Housing Strategy? Please answer Yes or No and provide fuller explanation if you wish.

Yes  No

The Scottish Property Federation (SPF) recognises the importance of seeking to mitigate the impact of climate change for the wider public interest of this and future generations. Better and more efficient use of energy is a key part of this agenda and a part in which we feel the property industry has in recent years played a significant role. New build properties now see energy efficiency as a priority and indeed a key factor in making a new property attractive to purchasers or occupiers.

Members recognise the need for better use of energy by building occupants and for buildings themselves to be more energy efficient. Our members feel that it is also important to recognise the need to continue to encourage economic development if sustainable economic growth of the level that is desired by the Scottish Government is to be met. However, we would not wish institutional investors or others to be dissuaded from committing funds by the existence of statutory requirements in Scotland which are in fact, or just as importantly perceived to be, more onerous than those elsewhere in the UK.

The UK and Scotland remain firmly in recession and cost is understandably a markedly more important factor in considering renewable or energy efficiency building improvements than perhaps would have been the case previously. Therefore our members question the continued escalation of energy-related building standards. There must come a point when ever-higher standards act to deter investment in energy efficiency in new buildings.

2. What do you think are the main barriers that prevent home owners and landlords from installing energy efficiency measures?

It is difficult in to see how businesses and property investors/landlords will be able to finance significant energy efficiency related building improvements without some form of fiscal stimulus. There comes a point when developers will simply be unable to make the numbers stack up in order to justify new construction and in the long term this will undermine rather than support the energy efficiency action plan as it relates to the built environment. If we choke off the supply of new and more energy efficient properties then the government will be cutting the chances of the sector making its expected contribution to the reduction of CO2 emissions, thus undermining the government's legally binding commitment to a reduction of 80% of carbon emissions by 2050.

The impact of the recession is multifaceted. For example any assumption that economic growth would absorb the cost of energy efficiency related building improvements to the existing housing stock, is now a much more debatable prospect than before 2007.

Members have concerns on how obligations to 'retrofit' will impact on the wider market and how the market will react. In particular concern has been raised by property industry members about the cost of higher energy efficiency standards for new-build housing in a fragile market.

The majority of landlords have small housing portfolios and thus small margins of profit with which to undertake costly improvements. The range of measures likely to be recommended by EPCs will include expensive proposals (like boiler replacement) which would be an issue for such landlords.

It should be recognised at the outset that while property condition can influence and benefit energy efficiency, it is not the property itself which consumes energy, it is the occupant. Even brand new modern homes, now designed to very high standards of potential energy efficiency, may not actually perform efficiently because of the way they are used and the demands placed on them by their occupants. Therefore policy-makers need to be aware that even if a major programme of retrofit is embarked upon in the private rented sector, then Ministers and Officials may not necessarily achieve the outcome in terms of reduced energy consumption that they desire.

That said, it is clear that landlords have not taken advantage of all available means of supporting investments in energy efficiency measures. The reasons for this shortfall in take up will vary but feedback from members suggests practical issues such as wishing to avert voids in occupancy, not wishing to impose burdens on tenants for any substantive works and a fear of loss of cash flow. It should be recalled that with such a fragmented sector, with many single property owning landlords who will have mortgages to cover, amongst other costs, then even a month or two's shortfall in rent will be a cost too far. Larger scale landlords will also have costs to consider but generally may be in a better position to effect energy efficiency improvements and invest in property condition, than those who operate on a smaller scale.

The consultation asserts that it sees opportunities for 'landlords (by improving the capital value of property) and that it aims to create long term change in perception among surveyors, lenders etc. This increase is not yet proven by the RICS who point out that their members reflect property market values; they do not 'make' them. The government should be careful about such assertions therefore. Further to the discussions of the Sustainable Housing Strategy Group, we are wary of assertions that energy efficiency measures will directly translate into higher values or rental values. Rather, we believe that depending on their cost any obligations for energy efficiency measures imposed on a property may actually impair its valuation accordingly. Should the RICS firm up its evidence and regulatory guidance to its members on positive links between valuation and energy efficiency,

then this position may change.

Clearly there is an enormous challenge to improve property condition and energy efficiency across the PRS in general. The nature of the sector will not make it easy to address this problem. A recent discussion with a landlord seeking to make energy efficiency improvements in a rural setting suggested that there could be considerable upwards pressure on rents. This is not likely to be an isolated example. It is important therefore that the government makes a balanced impact assessment before proceeding with any form of compulsory measure. It is worth considering too that the extensive use of energy in homes may well be related to the ability of occupants to make choices about paying for energy consumption. Those with little choice but to moderate their use of energy, will undoubtedly be found to be much more energy efficient than relatively more affluent households and it is by no means certain that investments in energy efficiency will effectively change household energy consumption behaviour. Indeed, the paradox of demands for cheaper energy products for consumers is that this may in fact reduce incentives to influence energy consumption, as suppliers compete to offer cheaper energy tariffs.

3. Please explain any practical solutions and/or incentives to overcome any barriers you have identified.

Two main issues need to be addressed in order for significant progress to be made; first, people need to change the way they view their use of energy, to take notice of it and act to reduce it. Once they have done all that they can to reduce their energy use via management action, they need to identify where capital/structural improvements can be made and where alternative and more sustainable energy supplies can be obtained.

The first is a critical issue in rented properties, and will require more robust measurement and reporting of how energy is used and consumed. This data needs to be identified in such a way so as to motivate those empowered to control the use of that energy to reduce their use of it. In our members' experience, such transparency has motivated reduction in wastage and identification of improvements which might require capital expenditure. A further benefit is that improved transparency of energy consumption also provided the means to ensure that such improvements generate the emissions reductions they are intended to.

Members are of the view that incentives are the best way forward in trying to make gains and change behaviour. They believe that Scottish Government policy would be supported more effectively with a renewed emphasis on behavioural change by property occupiers who actually use and consume energy. This might be achieved with more emphasis being placed on smaller scale changes to behaviour and consumption of energy by occupants, including evidence of energy bill savings that might be achieved.

4. Given Scotland's diverse range of housing, what support is needed to enable people to get energy efficiency measures installed?

We agree that many ways exist to achieve significant savings in money and energy. The catalyst needed to achieve these savings is for individuals and businesses to change their behaviour and to prioritise practical changes to the use and consumption of energy within their building. This is often easier said than done and unfortunately there are often significant barriers to such action, particularly in the tenanted commercial stock. Chief among these is the difficulty of measuring whole building energy use due to the split responsibilities and incentives in energy purchasing and use as between landlord and tenant. Without the means to effectively measure actual energy impacts, often these cost effective improvements are not in plain sight to those empowered to make the necessary steps to capitalise upon them.

5. (a) What specific issues need to be addressed in respect of improving energy efficiency in rural areas, particularly more remote or island areas?

Lack of appropriate infrastructure and grid networks.

5. (b) How should these be addressed?

Consideration should be given to this in the National Planning Framework.

6. Taking into account the models and funding sources outlined in section 1.20-1.37, what role might local authorities and other agencies play in bringing about a step change in retrofitting Scotland's housing?

See response to question 7 below.

7. What role should the Scottish Government play in a National Retrofit Programme?

Our members think that the Scottish Government needs to fund and co-ordinate the education of owners, tenants and landlords about the existing models and funding sources. Even the most experienced of property occupiers / owners / agents are becoming blinded by consultations and initiatives, and confused about what is available and how it might be implemented.

8. What role could the devolution of additional powers play in achieving more retrofit?

No comment

9. What further action is needed to achieve the scale of change required to existing homes?

Our members think that further incentives should be considered and then, as stated at 6 and 7 above, fully and effectively communicated.

10. How can we make sure a National Retrofit Programme maximises benefits to all consumers (for example, older people, those from ethnic minorities, those with long term illness or disability)?

In terms of vulnerable tenants it will be important for landlords and relevant agencies to work together to ensure that the tenant is treated equally and fairly. Regulation should be effective and proportionate. Given the relative resource constraints upon the majority of landlords in the private rented sector, the majority of whom are single property landlords, it is difficult to avoid the presumption that local authorities and perhaps agencies will be called upon to offer advice, possibly to both landlords and tenants.

11. (a) Should the Scottish Government consider whether a single mandatory condition standard (beyond the tolerable standard) should apply to all properties, irrespective of tenure?

Yes  No

11. (b) If so, how would that be enforced?

Attracting investment in new build for rental tenure is an outcome that would bring benefits in terms of increasing supply. In the current climate when the economics of providing desperately needed new rented housing stock to the market is challenging, it is essential that investors, particularly institutional investors, are not dissuaded from committing funds by the existence of statutory requirements in Scotland, which are perceived to be more onerous than those elsewhere in the UK. If more onerous controls are imposed, the amount of both PRS and affordable stock available to the market will dramatically reduce.

It has been noted that landlords have not taken advantage of all available means of supporting investments in energy efficiency measures. The reasons for this shortfall in take up will vary but feedback from members suggests practical issues such as wishing to avert voids in occupancy, not wishing to impose burdens on tenants for any substantive works and cash flow. It should be recalled that with such a fragmented sector, with many single property owning landlords who will have mortgages to cover, amongst other costs, then even a month or two's shortfall in rent will be a cost too far.

12. (a) In box 6 we identify a checklist for maintaining a quality home. Do you agree with our proposed hierarchy of needs?

Yes  No

12. (b) If you think anything is missing or in the wrong place please explain your views.

N/A

13. Should local authorities be able to require that owners improve their properties, in the same way they can require that they repair them? For example, could poor energy efficiency be a trigger for a work notice? Please answer Yes or No and provide further explanation if you wish, for example on how this might work.

Yes  No

There have been problems in relation to internal controls in the past e.g. Edinburgh Council. Members have concerns that such draconian powers may be a cost too far for some homeowners, resulting in an increase in repossessions and the further negative consequences of the knock on impact on the markets and lenders.

14. Should local authorities have a power to enforce decisions taken by owners under the title deeds, tenement management scheme or by unanimity? For example, should they have explicit powers to pay missing shares of owners who are not paying for communal repair work, in the same way they can for agreed maintenance work? Please answer Yes or No and provide further explanation, if you wish.

Yes  No

Members are of the view that this could be useful, along with a power to take over the voting rights, make payment and recover from non-paying parties, so long as decisions have been reached in accordance with the title deeds and tenant management schemes. This should not extend to the extent of the power referred to under question 13.

15. Should local authorities be able to automatically issue maintenance orders on any property which has had a work notice? Please provide further explanation if you wish.

Yes  No

See answer 13

16. Should the process for using maintenance orders be streamlined, and if so, how? Please answer Yes or No and provide further explanation, if you wish.

Yes  No

However, it would be important to ensure that appropriate controls were in place (see answers 13 & 15)

17. Should local authorities be able to: a. issue work notices on housing affecting the amenity, and b. require work such as to improve safety and security on properties which are outwith a Housing Renewal area? Please answer Yes or No and provide further explanation if you wish.

Yes  No

Members think that local authorities could be given this power; however, they think it should be restricted to safety and security, which should wrap up most of the 'amenity' concerns as otherwise what affects amenity could be very difficult to define.

18. Should local authorities be able to issue repayment charges for work done on commercial properties, in the same way they can for residential premises? Please answer Yes or No and provide further explanation below, if you wish.

Yes  No

See answers 13, 15 and 17

19. What action, if any, do you think the Government should take to make it easier to dismiss and replace property factors?

Members are of the view that local authorities could act as arbitrator to enforce decisions taken by owners under the title deeds, tenement management scheme or by unanimity. If the local authority has stepped in and the Factor is found wanting there could be a right to replace. However it should be noted that disputes with Factors are often disputes between residents unwilling to pay and inevitably some homeowners end up with justifiable grievances about paying for others.

20. What action can be taken to raise the importance placed by owners and tenants on the energy efficiency of their properties?

This raises the issue of who pays versus who benefits. Various supportive structures are emerging which generate roadmaps of how improvements might be paid for but the fact remains that the average rental period is around six months and landlords often calculate payback on energy efficiency improvements over a short time horizon. While such roadmaps (e.g. green leases) are helpful, what may be required is a change in the variables of cost/benefit equations – namely incentivising improvements via fiscal means. Once again education is important.

21. Should the Scottish Government introduce minimum energy efficiency standards for private sector housing?

As stated earlier in our response Scotland remains firmly in recession and cost is understandably a markedly more important factor in considering, renewable or energy efficiency building improvements than perhaps would have been the case previously. A minimum standard could seriously damage an already fragile market as home owners seek to sell on older properties. This would also affect the new build market as the sellers of older properties try to move to new properties or take advantage of part-exchange. Banks could also be affected by a rise in repossessions from home owners who are unable to meet the costs. Universally imposed standards would have the universal affect of immediately reducing values – causing problems for borrowers and lenders alike.

22. How could we amend EPCs to make them a more useful tool for influencing behaviour change to improve energy efficiency?

EPCs could be problematic in Scotland due to climatic differences. EPCs benchmark the potential performance of a building envelope but do not address how the building is really used (Scottish EPCs do make provision for an assessment of actual energy consumption but this does not influence the actual grading of the building). Display Energy Certificates are arguably more informative of energy consumption but are not rolled out to the private sector. It is suggested in the EEAP that the Carbon Reduction Commitment may go some way towards rectifying and providing at the same time a real incentive for businesses to invest in greater energy efficiency through the operation of its emissions trading scheme. We disagree. The CRC may provide some benefit in terms of incentives for enhanced energy efficiency but it remains the case that the named bill-payer (who may be the landlord) may have little control over the actual consumer of energy, the tenant. Also, at this stage there is considerable uncertainty over the future of the CRC itself. The landlord-tenant relationship does not appear to have received major consideration in policy-making circles yet it could have a major practical bearing on the successful introduction of behavioural incentives to reduce energy use and enhance energy efficiency measures within buildings.

23. Are there other key principles that we ought to consider when looking at the possible introduction of regulations?

Our initial views are that there has been a significant emphasis upon regulation of the PRS in recent years including a number of measures that are being implemented concurrently with this consultation.

We would be more generally supportive of the introduction of some form of operational assessment of buildings, than a requirement to introduce energy efficiency improvements via regulation in the first instance. This is because the as-designed performance of buildings often does not match the operational (actual) performance of the building due to inefficiencies of use,

building services being ill-tuned to occupancy patterns, poor commissioning and maintenance. Such issues would inevitably accompany energy efficiency improvements, and we see post-occupancy appraisal as a necessary accompaniment to any retrofit activity to ensure that it delivers upon its intentions. Post-occupancy appraisal of actual energy use also motivates and empowers individuals to take ownership of their energy use, which will be vital to ensuring cost-related energy efficiency measures are more likely to be considered.

24 How could regulation be used to support the uptake of incentives?

Once management efficiencies and waste reduction strategies in energy use have been implemented, there will be a need to carry out some retrofit in rented properties. This, however, raises the issue of who pays versus who benefits. Various supportive structures are emerging which generate roadmaps of how improvements might be paid for but the fact remains that the usual rental period is around six months and landlords often calculate payback on energy efficiency improvements over a short timescale. What may be required is a change in the variables of cost/benefit equations – namely incentivising improvements via fiscal means.

25. In section 2.68 we identify design options for the standard. Do you have any views on the options set out in that report? Are there other options that we should be considering?

Many ways exist to achieve significant savings in money and energy. The catalyst needed to achieve these savings is for individuals and businesses to change their behaviour and to prioritise practical changes to the use and consumption of energy within their building. Measures should first ensure that existing systems etc are operating to their maximum efficiency before imposing capital expenditure for enhancements. Without the means to effectively measure actual energy impacts, often these cost effective improvements are not in plain sight to those empowered to make the necessary steps to capitalise upon them.

26. Do you agree that any regulations for private sector housing ought to reflect the energy efficiency capacity of the property and/or location, as is proposed for the social sector?

Yes  No

The potential value or return of the property will affect the ability of the owner or landlord to invest in energy efficiency measures – this will be influenced by type of property and location. Regulations may struggle to identify all the variables involved in such assessments.

If energy efficiency obligations are introduced then the level of value impairment will affect older properties in particular; however new properties will also be affected as owners sell on older properties in order to afford to

move on to new properties or to take advantage of part-exchange. Value depends on location and there is a risk of ghettoisation in relation to the age and condition of properties. Valuation tends to be a generalisation based on specific streets or properties of a similar age. The necessity to meet with retrofit requirements could be the tipping point for homeowners in terms of not moving at all.

27. If you agree with Q26, should houses of the same type in the social and private sectors be expected to meet the same standard?

Yes  No

See response to question 26

28. Are there other specific issues we need to consider in introducing regulation on the energy efficiency of the home for particular groups of people, for example older people, those with disabilities, people from minority ethnic communities?

See response to question 10

29. Should we consider additional trigger points to point of sale or rental? If so, what?

Yes  No

Members think we should be working towards a longstop for all properties and that any requirement for Building Control consent will pick up any significant alterations in the meantime. It would be unfair to disadvantage some parties just because they were to sell or lease a property- which could cause further stagnation in the already fragile market if there is an inability to fund the enhancements. Education and advertising well in advance of a longstop, will allow parties to plan how they can meet the obligation.

30. Should rollout of any regulation across the owner occupied and PRS sectors be phased or all at once? If you think that rollout should be phased how do you think this should be done?

Yes  No

Should regulations be brought forward then a phased approach to introduction would be preferred. Unless regulations are introduced carefully they could cripple an already fragile market.

31. What other issues around enforcement do we need to think about when considering how different approaches to regulation might work?

As stated at 29 and 30, sale and rental are not appropriate triggers. Members have suggested that perhaps owners could be obliged to self certify when they have completed any required upgrade works at any time up to an appropriate longstop date, and LA's could then investigate any properties where no certification has been received.

32. In sections 2.76-2.79 we suggest that one way of regulating would be to issue sanctions.

(a) Do you think that sanctions on owners should be used to enforce regulations?

Yes  No

(b) Should owners be able to pass the sanction or obligation on to buyers?

Yes  No

In the current economic climate cost is understandably a markedly more important factor in considering renewable or energy efficiency building improvements than perhaps would have been the case previously. Our members therefore recommend caution in considering this as sanctions and the transferral of these sanctions could seriously damage a very fragile market.

33. The Scottish Government does not intend to regulate before 2015. The working group will consider what options for timing of any regulation might be appropriate, but, given all the points set out in sections 2.80-2.81, from when do you think it might be appropriate to apply regulations?

An analysis of the success, or otherwise of the Green Deal may provide some useful insight into the potential and progress of 'retrofit'.

34. (a) In Section 3.4 we describe the range of legislative and policy levers that we believe are available to help us transform the financial market such that it values warm, high quality, low carbon homes. Do you agree that this is the full range of levers?

Yes  No

34. (b) Can you suggest any other ways to help transform the market for more energy efficient, sustainable homes?

Much attention has naturally been given to those on low incomes but little thought has been given to asset rich cash poor property owners. We think it is unlikely that this group will wish to re-mortgage for energy efficiency paybacks that may take years to materialise.

35. What changes would be required to current survey and lending practice to enable mortgage lenders to take account of the income from new technology or savings on energy bills?

The value of energy efficiency itself needs to be a factor that is considered on an individual property basis, perhaps via an operational ratings approach.

36. Section 3.15 lists a range of challenges that may prevent the benefits of a more sustainable, energy efficient home being fully recognised in its value. What further challenges, if any, need to be addressed?

There is a risk that lack of capacity could lead to poorly installed products many of which have not been tested overtime could lead to significant housing maintenance and repair costs in the future i.e. poor ventilation and damp issues.

37. (a) Sections 3.16-3.22 set out the action that Scottish Government is currently developing to encourage greater recognition of the value of sustainable homes. Do you agree that this action is appropriate?

Yes  No

37. (b) What further action is needed to influence consumers and the market?

This is rather a 'chicken and egg' scenario. Consumers and the market are unlikely to be persuaded unless there is tangible evidence and data to support the benefits and increase in property values.

38. What steps can we take to ensure that we design and develop sustainable neighbourhoods?

Our members would like to see buildings with flexible, viable and cost effective designs that can be adapted to suit changing aspirations and fluid markets in the current economic environment. Place-making is key and best delivered around a good infrastructure (particularly transport) with access to a mixture of property uses including retail outlets, employment, leisure and ideally residential uses.

39. Section 4.10 sets out the main challenges to address in taking forward our aim of new build transformation. What further challenges, if any, need to be addressed?

The recent Montague Report on attracting investment into the private rented sector identified recommendations for bringing forward new build-to-let. This report should be considered by Scottish Ministers for suggestions on how to improve the new build to let market in Scotland.

40. What action is needed to increase the capacity for developing and bringing to market innovative methods of construction?

No comment

41. What further changes to the operation of the Government's affordable housing supply programme would help to enable it to champion greener construction methods and technologies in the medium term?

See answer 39. Our members believe that greater flexibility in the make-up of affordable housing provision as part of wider development schemes, or even on a case by case basis, could support an increase in the private rented sector and the provision of social or mid-market rental properties. This should be within the influence and control of local authorities and the Scottish Government to facilitate. With a growing demand for homes from people with relatively higher incomes the definition of affordable housing is perhaps under greater pressure than previously. This could be an opportunity for local authorities to be more flexible in their assessment of what constitutes affordable housing.

Developers and institutions may be encouraged to fund properties that offer a good return over say 5-10 years before considering exit strategies as with the National Housing Trust. Attracting investment in new build for rental tenure is an outcome that would bring benefits in terms of increasing supply, In the current climate when the economics of providing desperately needed new rented housing stock to the market is challenging, it is essential that investors, particularly institutional investors, are not dissuaded from committing funds by the existence of statutory energy efficiency requirements in Scotland, which are perceived to be more onerous than those elsewhere in the UK. If more onerous controls are imposed, the amount of both PRS and affordable stock available to the market will dramatically reduce. Controlling a functioning PRS market is not a viable means of providing affordable housing, which needs to be tackled by alternative means. It would also potentially undermine an already weakened private sales market as, inevitably, a considerable number of landlords and investors would simply seek to sell, thus reducing overall supply in the market.

42. What further action is needed to influence the construction industry to make greater use of innovative methods to deliver more greener new homes?

No comment

43. (a) Has Chapter 5 of this consultation identified the key challenges to ensuring Scottish companies have the skills to take advantage of the opportunities expected to be on offer?

Yes  No

43. (b) If not, What other challenges are there?

No comment

44. What further action is needed to ensure there is appropriate investment in skills and training to meet these opportunities?

No comment

45. How can the construction industry be made more aware of the potential funding and support for skills and training development opportunities and engage effectively with those providing training to ensure that it meets their current and future needs?

No comment

46. How do we ensure that skills and training opportunities are provided on an equitable basis to all groups in society?

No comment

47. Apart from training and skills opportunities are there any other issues that should be addressed to make employment in construction and other industries becomes more representative?

No comment

48. Please describe any specific difficulties relating to skills and training that apply to those in remote and island areas and your view on how these may be addressed.

No comment