



# **A RESPONSE FROM THE SCOTTISH FEDERATION OF HOUSING ASSOCIATIONS**

## **THE ENERGY EFFICIENCY STANDARD FOR SOCIAL HOUSING**

**September 2012**

## 1 Introduction

1.1 As the national representative body for housing associations and co-operatives housing associations and co-operatives in Scotland, the SFHA welcomes the opportunity to respond to the Scottish Government's consultation on a proposed Energy Efficiency Standard for Social Housing (ESSH). We have discussed the consultation with our members, including focus groups in Aberdeen, Edinburgh and Glasgow, a major consultation event, and a staff forum in Dundee during the consultation period, and this response reflects those discussions.

1.2 Housing associations and housing co-operatives in Scotland own and manage 46% of the country's affordable rented housing stock. This represents 274,996 homes across Scotland, concentrated in some of the poorest communities in our country.

1.3 Housing associations and co-operatives. Housing associations and co-operatives have been working to provide, manage and maintain housing throughout Scotland since the 1960s and have a track record of making a significant contribution to improving housing for the people of Scotland.

1.4 There are some important and distinctive features of housing associations and co-operatives housing associations and co-operatives. Our members are:

- Independent businesses with goals aligned to the Scottish Government in providing and managing high quality affordable accommodation and housing services;
- Responsible for accessing and managing public and private resources;
- Managing their businesses, not to make a profit but using resources imaginatively and inventively to benefit housing and communities;
- Accountable to their members, who live or have other interests in the communities and places which they create;
- Publicly accountable and thus regulated given their use of government resources;
- Able to demonstrate added value in terms of care and support, wider role and financial inclusion;
- Adaptable to changing circumstances.

1.5 Housing associations and co-operatives are diverse organisations at different scales, with different histories, purposes and goals. They also collaborate in different ways with each other, with the private sector and with local authorities, according to their particular business imperatives.

1.6 Housing associations and co-operatives continue to make a significant contribution to the new supply of housing in Scotland in different tenures, and they make an enduring contribution as owners and managers, providing around 11% of the accommodation available in Scotland, and factoring on behalf of countless other owners. Our sector has evolved over the decades and remains alert to adapt to whatever the future holds.

1.7 Housing associations and co-operatives in Scotland have a history of leading on energy efficiency and in addressing fuel poverty. They continue to have the most energy efficiency housing in Scotland of all sectors.<sup>1</sup>

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<sup>1</sup> Scottish Government (2011), *Scottish House Condition Survey Key Findings*, figure 10. Available at <http://www.scotland.gov.uk/Publications/2011/11/23172215/0>

1.8 Housing associations and co-operatives have made significant strides towards meeting the energy efficiency standards set in the Scottish Housing Quality Standard, investing considerable sums in so doing. This has been achieved in the absence of any funding being made available by the Scottish Government in order to enable social landlords to retrofit their existing homes.

1.9 Scotland's housing associations and co-operatives are affected in a range of different ways by the SHQS. While some have the resources to meet the SHQS without great difficulty, others face challenges due to their stock type, due to having homes in mixed tenure stairs and blocks or due to their history and finances. These issues will also apply to the EESSH if it is introduced.

## **2 General Comments**

2.1 The SFHA agrees in principle that minimum energy efficiency standards should be introduced for housing in Scotland. We agree that both fuel poverty (estimated as affecting 29% of Scotland's households)<sup>2</sup> and climate change have become such major issues that it is necessary to introduce standards for Scotland's housing that seek to address these in a systematic and concerted way.

2.2 It is also our view, however, that if fuel poverty and climate change are to be successfully tackled, the Scottish Government needs to take a strong lead on the issue and set out minimum energy efficiency standards to be met across all tenures. As social housing comprises less than a quarter of Scotland's housing stock, regulating for only social housing will fail to address climate change and fuel poverty of these issues.

2.2 It is also the case that without minimum standards being set for the private sector, many social landlords will struggle to upgrade their properties to the proposed standards. This is already an issue for the lower standards imposed by the SHQS. From our consultations with members, we know that this is a particular issue in traditional stone tenements in mixed ownership, where high improvement costs and planning restrictions also pose considerable difficulties.

2.3 We appreciate that minimum energy efficiency standards could, at least initially, pose a challenge for owner occupiers and private landlords. We believe, however, that if people were given advance warning of phased changes, and if standards had to be met at point of sale and rental, then these challenges are not insurmountable.

2.4 While as stated above, the SFHA generally supports the introduction of a minimum energy efficiency standard, funding and finance are major issues. We believe that these questions are not properly addressed in the consultation and require significantly more development, consideration and consultation before a minimum standard should be set out.

2.5 While some housing associations and co-operatives will be able to fund the standard, either for the majority or all of their homes, others will struggle. This might be due to their history and finances, to the nature of their stock, or a combination of the two.

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(accessed 28<sup>th</sup> September 2012)

<sup>2</sup> Scottish Government (2011,) *Scottish House Condition Survey 2010 Key Findings* Table 28. Available at <http://www.scotland.gov.uk/Publications/2011/11/23172215/0> (accessed 28<sup>th</sup> September 2012)

2.6 More generally, the proposals come at a time when social landlords face considerable financial challenges. The Scottish Government has made significant cuts to grant levels for the development of new build homes, while the UK Government's welfare reforms are likely to lead to loss of income for housing associations and co-operatives estimated to be at least £50 million per annum in increased rent arrears<sup>3</sup>.

2.7 It is therefore vital that any standards and the associated level of investment can be funded through a combination of housing association and co-operatives maintenance programmes and through available grants and tariffs. We believe that as the proposals stand that is not the case. While ECO will help to fund some investment in difficult to treat properties (and social landlords will continue to prove adept at drawing in funding through initiatives such as the SFHA Carbon Portal), there is too much uncertainty about ECO to assume that the significant costs that many landlords will face can be met by either ECO, their investment programmes or a combination of the two.

2.8 In particular, we believe that some properties will prove expensive and difficult to treat, but may not provide the scale of carbon savings or the ease of improvement to attract investment by utilities. Many members advise that flats in mixed tenure stone tenements are difficult to treat, yet have not attracted CERT or CESP funding. It is also unclear whether safeguards in ECO intended to ensure that rural properties attract investment will be sufficient to overcome the significant logistical and cost issues associated with improving such homes.

2.9 Discussions with members also indicate that the standards will be challenging for a significant proportion of properties with electrically heated homes. For example, a landlord whose stock was almost all built after 1989 has found that they will require to retrofit renewables to a significant proportion of their stock. While improving properties and installing renewables is desirable, it is the view of the SFHA and its members that the resource and funding implications need to be considered more fully before the proposed standards are set.

2.10 It is therefore vital that if the Scottish Government imposes these standards on social landlords, then funding streams such as the National Retrofit programme are targeted on assisting landlords to improve properties that are expensive to treat but that would not otherwise attract ECO.

2.11 The SFHA is also calling on the Scottish Government to ring fence European Structural funds for investment in energy efficiency and in micro-renewables in housing association and co-operative homes. Hugely successful retrofit programmes have been established in Wales<sup>4</sup> and in France, where social landlords do not have to meet standards equivalent to EESSH.

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<sup>3</sup> SFHA (August 2012), *The Impact of Welfare Reform on Housing Associations and Co-operatives in Scotland*. Available at Welfare Reform Impact Assessment [http://www.sfha.co.uk/component/option.com\\_docman/Itemid,82/gid,65/task.cat\\_view/](http://www.sfha.co.uk/component/option.com_docman/Itemid,82/gid,65/task.cat_view/) (accessed 28<sup>th</sup> September 2012)

<sup>4</sup> Welsh Government (2012) *Arbed Strategic energy performance investment programme*. Available at <http://wales.gov.uk/topics/environmentcountryside/energy/efficiency/arbed/?lang=en> (accessed 28<sup>th</sup> September 2012)

2.12 If the standards are imposed, then they have the potential to provide an additional administrative burden to bodies that are already subject to considerable regulation. It is important that, as far as possible, any additional burden is minimised. One way to do this would be if progress in meeting the targets were met by the regulating body (SHR or other) extracting information on epcs from the HEED database rather than by landlords filling out additional information in returns. This would also allow the same system to be used when minimum standards are set for the owner occupied and private rented sectors.

2.13 If the minimum standards are imposed, then they have the potential to provide an additional administrative burden to bodies that are already subject to considerable regulation. In particular, it would be necessary for landlords to provide epcs for 100% of their stock. This being the case, it is vital that a separate protocol is developed for social landlords which acknowledges the numbers of similar properties that they have and their expertise and the quality of the data that they hold so that landlords do not face the cost and administrative burden of providing an epc for all of their properties by 2020. We look forward to discussing this further with the Scottish Government and have already highlighted the issue with the Building Standards division.

2.14 A point raised in consultation was that it is overly complex to have different standards for different house types and that they should be the same for all flats irrespective of position (e.g. mid floor or top floor).

### **3 Detailed Comments**

3.1 A series of specific questions are included in the consultation paper, covering six themes:

- Why is the standard necessary*
- Developing the standard*
- The Proposed standard*
- Financial implications*
- Measuring and monitoring*
- Timescales*

#### **Why is a new standard necessary?**

##### **Q1 Do you have experience or know of social landlords acting as pioneers in addressing energy efficiency?**

3.1 There are numerous examples of social landlords acting as pioneers in addressing energy efficiency, too many to list here and it would be unfair to select only a few to highlight. There are two sources of information on this: the work of the Housing Energy Efficiency Learning Network, which the SFHA led for the Scottish Government;<sup>5</sup> the SFHA's database of examples through its Carbon Portal work (forthcoming)<sup>6</sup>. There is a concern that the Scottish Government proposes to have

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<sup>5</sup> Scottish Government (2010), *Housing Energy Efficiency Learning Network*. Available at <http://www.scotland.gov.uk/Topics/Built-Environment/regeneration/pir/learningnetworks/EnergyEfficientHousing> (accessed 28th September 2012)

<sup>6</sup> SFHA (2012), *Carbon Portal*. Available at <http://www.carbon-portal.org.uk/news/> (accessed 28<sup>th</sup> September 2012)

social landlords act as early adopters for energy efficiency while directing its funding to the private sector, which currently does not have to meet minimum standards.

**Q2 For landlords, what is the greatest cause of SHQS exemptions in your stock?**

3.2 We are surprised at the high failure rate due to lack of cavity wall insulation and wonder whether this might be due to inspection errors by surveyors. On exemptions, the main cause given by landlords at all consultation events was being unable to improve properties due to mixed ownership. All landlords asked that the SFHA lobby for the introduction of minimum standards in the private sector to overcome this problem.

**Q3 What has been your experience in improving properties on mixed tenure estates?**

3.3 Our members report that they have encountered significant difficulties improving properties on mixed tenure estates – in particular traditional tenement closes and non - traditional system built properties with communal areas. Members report that owners and private landlords prevent improvements from being carried out to the social housing stock. This raises significant concerns about their ability to meet the proposed ESSH standards, especially in tenement blocks, without regulation of standards in the private sector.

**Q4 Is improving the energy efficiency of social housing a priority for tenants?**

3.4 We agree that energy efficiency is a major issue for tenants, and one that housing associations and co-operatives are increasingly concerned about. During consultation on ESSH, a number of members have expressed concerns that ESSH is too focussed on reducing carbon emissions with not enough emphasis on addressing fuel poverty. We would like to explore these concerns further.

**Q5 Do you believe that particular equality groups will be at risk as a result of this policy?**

3.5 In our view, it is essential that tenants are provided with information and face to face advice on energy efficiency and how to operate micro-renewables. This needs to be accessible by all. Providing information on line or by advice lines only disadvantages some, particularly the elderly and those without internet access.

**Q6 Will the standard lead to a financial burden on any minority groups?**

3.6 No, but there is a danger that the standard could lead to higher rents or significant financial challenges for some landlords unless sufficient money is made available from the Scottish and UK Government. At present it is not clear how much Scottish Government or ECO funding will pay for improvements by housing associations and co-operatives to their properties.

**Q7 What could help tenants better manage their energy consumption?**

3.8 Face to face advice by energy efficiency bodies and landlords funded by the utilities. This was proposed to the Scottish Government by the Scottish Fuel Poverty Forum.

**Developing the new standard**

**Q8 Would example case studies be helpful in taking forward the standard ?**

3.9 Example case studies would be helpful. Further discussion should take place with SFHA, COSLA, ALACHO and our members in order to source these. These should include as many types of property as possible. Feedback from members states that some of the modelled costs (e.g. for internal wall insulation) is very low.

### **Q9 Should SAP/rd SAP be used to regulate energy efficiency in the sector?**

3.10 While there is some concern from a number of members on SAP/rdSAP, the general view is that as its the industry standard it makes more sense to work with it rather than create another set of measures. Concerns raised by members include:

- rdSAP fails to accurately reflect the performance of traditional tenements built in granite or sandstone;
- rdSAP does not fully account for the efficiency of modern electrical systems installed in off gas properties;
- rdSAP can drive landlords to install e.g. air source heat pumps in properties that aren't air tight and are difficult to insulate – this could lead to high energy ratings but also conversely higher fuel bills for tenants than with electrical heating systems.

Finally, as noted in general comments above, the need to provide rdSAP ratings for 100% of their stock will impose a significant financial and administrative burden on landlords. It is therefore vital that a social housing protocol is taken forward to acknowledge the expertise of social landlords and lessen this burden.

### **Q10 Are the 1990 baseline standards accurate?**

3.11 It is difficult, if not impossible, to say whether the baseline standards are accurate across so many landlords' stock and this would seem to be a question for the Scottish Government to answer.

## **The Proposed Standard**

### **Q11 Are the suggested improvements in the further and advanced measures columns of the case studies feasible and realistic?**

3.12 There is significant concern from some landlords concerning the cost of meeting further measures, especially given uncertainty over the availability of Scottish Government and ECO funding. On the Advanced Measures a particular area for concern was traditional mixed tenure tenements, where solutions are expensive, where it is difficult to get other owners to participate and where planning restrictions can cause prevent improvements. housing associations and co-operatives are concerned that they will be unable to let these properties beyond 2020, with the likely result that they would be sold, often to private landlords who would not need to meet the standards. In our view this concern needs to be urgently addressed.

### **Q12 Do you agree that establishing a minimum Environmental Impact Rating for the main dwelling types is the most practicable format for the standard?**

3.13 There are practical advantages to having one EI rating for each house type, but this means there will be significant differences in the costs involved in improving different construction types of the same dwelling type in order to meet the standard – a significant number of members took the view that there should be different

standards for the main different construction types. If the more straightforward system is adopted, then it will be necessary either to target NRP and ERDF funds on landlords with greater costs to meet or to provide exemptions. We also understand from members with properties off the gas network that the use of EI rather than EE ratings in rdSAP will make the standard very expensive to meet and difficult to achieve for many electrically heated properties. We understand that retrofit of micro-renewables will often be required. The implementation of such standards and the costs require further discussion.

**Q13 If EI ratings are used, should there be a safeguard that the current Energy Efficiency rating should not reduce?**

3.14 Yes, as noted above many housing associations and co-operatives are concerned that the standard is really about meeting the targets in the Climate Change Act and should be more focussed on fuel poverty. To adopt a system where additional investment leads to increased fuel poverty would be perverse.

**Q14 In assessing your stock do you see any significant challenges in obtaining individual property details across your stock**

3.15 SFHA has no comment on this.

**Q15 Are the ratings suitably challenging?**

3.16 This will vary depending on the type of organisation and its stock, and reflects the concern by some housing associations and co-operatives that there should be different targets for different construction types. The particular challenges with off gas and mixed tenure tenements are highlighted above.

**Q16 Do you think the suggested energy efficiency rating for electrically heated detached bungalows undermines the SHQS**

3.17 There is a danger that if ratings are set too high then they will be extremely expensive and difficult to achieve. Electrically heated detached homes score more poorly because of heat loss due to exposed surface areas. There is little that can be done to change this. There is also a danger of setting higher EI ratings that encourage the installation of renewables that may lead to better EI ratings but will possibly increase fuel bills. This has to be avoided as fuel poverty is a major issue in properties off the gas network.

**Q17 Should all social housing be heated by gas, electricity or renewables by 2020?**

3.18 There is a case for all housing to be heated by gas, electricity or renewables by 2030 – this is subject to sufficient funding and support from the Scottish Government, and there should also be a level playing field for all tenures.

**Q18 Should the approaches in Q16 and 17 be reconsidered?**

3.19 The approaches outlined should only be considered subject to appropriate funding being in place and the same standards existing across tenures. The issue of climate change versus fuel poverty has to be considered, with at least equal rating given to fuel poverty. This suggests that EE rather than EI ratings should perhaps be used for the standards.

**Q19 Should the standards apply to all dwellings rather than being aggregated across a landlords stock?**

3.20 Ideally, the standard should apply to as many dwellings as possible rather than being aggregated across a landlords stock, in order to ensure that all tenants, especially those in hard to treat homes benefit from improved energy efficiency. However, it is likely that there will be factors that require exemptions and relaxations, including funding and cost issues, problems in mixed tenure and planning restrictions. There is no point requiring a a housing association or co-operative to stop letting an affordable rented home if the alternative is that it is let unimproved in the private sector.

**Q20 Do you agree that the approach to unusual dwellings as outlined could offer a reasonable way forward to apply a standard to those dwellings?**

3.21 In principle the approach proposed for non standard dwelling types sounds reasonable, subject to further discussion with housing associations and co-operatives.

Setting the percentage reduction at 42% to tie in with Climate Change Act targets is arbitrary and takes no account of feasibility or costs. We suggest that instead sets of measures are developed for the major non traditional house types and consulted on as Advanced and Further Measures per the current consultation.

**Q21 Do you think that there should be exceptions to the proposed EESSH?**

3.22 As stated in our response to Q19, we believe from our consultations with members that exemptions will be necessary in some cases. It would clearly be preferable to keep these to a minimum and we suggest that this could be achieved by:

- Setting minimum standards for the private sector to ensure participation in mixed tenure stairs and blocks;
- Providing guidance and training to planners with a strong presumption in favour of energy efficiency measures and improvements;
- Providing a good level of funding for Scottish Government energy efficiency initiatives, with grants available to housing associations and co-operatives with hard to treat homes who cannot attract ECO.

**Financial Implications**

**Q22 Are there other sources of funding that can help landlord improve the energy efficiency of their stock?**

3.23 European Union Structural Funds can provide funding both to support training and job creation schemes in retrofit programmes (ESF), and fund physical measures to fund insulation and district heating and combined heat and power schemes through ERDF. Given the ambitious targets set by the Scottish Government to end fuel poverty and mitigate against climate change, the SFHA is calling on the Scottish Government to follow Wales and France in setting aside a percentage of EU Structural Funds to improve energy efficiency in social housing. We would be happy to facilitate information exchange and discussions to look at these two schemes in further detail.

**Q23 Given the range of financial assistance available to landlords, can the standards be achieved without disproportionate cost?**

3.24 It is too early to say whether the targets can be met without disproportionate costs to landlords. The situation will vary for different housing associations and co-operatives depending on a range of factors such as stock type, percentage of off gas properties and their existing financial position. We would suggest that more work needs to be done to look at the impact on different peer groups of landlords before the policy is implemented. It is also our view that if the EESSH is to be imposed on social landlords ahead of other sectors, then Scottish Government energy efficiency funding needs to be targeted on those with significant investment needs to enable them to meet the standards.

**Q24 How could gender equality in the creation of jobs in retrofitting works be promoted?**

3.25 There is an ideal opportunity for retrofit and micro-renewables to create significant job and training opportunities and these should be promoted equally to all. Our sector has an excellent track record in promoting training and jobs creation schemes in their communities.

**Measuring and monitoring**

**Q25 Are there any other data sources to help monitor the proposed energy efficiency standard?**

3.26 No, the document has covered all of the available sources.

**Q26 Would the SHR be welcomed as a monitoring body for EESSH?**

3.27 While a majority of housing associations and co-operatives consulted believed that the SHR was the obvious choice to regulate, there were significant concerns both on the SHR's resources being up to this additional task, and on the SHR having the technical staff to discharge the function. One proposed alternative was that HEED be used – although this would then no doubt require analysis of returns.

A related issue that the SFHA wants to raise on behalf of members is the increased costs that will be associated with the need to provide epcs for all homes by 2020. EPCs were set up for individual home owners and do not acknowledge the large groupings of properties that housing associations own, or the comprehensive data bases that housing associations and co-operatives keep on their properties. We are calling on the Scottish Government to develop a protocol for housing associations and co-operatives with the SFHA, COSLA and landlord representatives.

**Q27 Are there other costs associated with monitoring progress towards EESSH?**

3.28 Database maintenance, increased numbers of epcs required, resources on monitoring and form filling will all impose a sizeable burden.

**Timescales**

**Q 28 Should there be regular milestones to monitor progress to 2020?**

3.29 Yes, in general members agreed that there should be milestones, possibly five yearly from 2020 but subject to regular consultations to sense check for affordability and achievability.

**Q29 Should longer term milestones be deferred until progress to 2020 has been reviewed?**

3.30 Yes, members agreed that longer term milestones should not be set until progress to 2020 has been checked.

**Q30 Are there further opportunities within ESSH to promote equality issues?**

3.31 Yes, if minimum standards were extended to all house types so that fuel poverty was addressed irrespective of tenure, and so that the burden of climate change targets are shared across Scotland's housing stock.

**4. Conclusion**

4.1 The SFHA and its members broadly approve of the principle of setting minimum standards for energy efficiency in social housing – our members have long led on improving energy efficiency, adopting micro-renewable technologies and providing welfare and energy advice services to their tenants.

4.2 However, there is a concern that there could be serious financial implications resulting from imposing the standards as proposed for some landlords. It is therefore vital that the Scottish Government prioritises assistance to such landlords through either the NRP or, where appropriate, ERDF.

4.3 While for reasons of simplicity it is desirable to set the same standards for a range of house types (for example end terrace houses and mid floor flats) this means that it will be more challenging and expensive to meet the standard for some construction types. It is therefore likely that funding support will be needed to improve some homes to meet the standard. Members tell us from their experience of ECO that it will clearly not be the case that ECO will fill the funding gap in all such cases. It is therefore vital that the Scottish Government commits funding through NRP and ERDF. Otherwise, exemptions will be required. Some members also made the point that having a lesser number of standards (e.g. the same for all flats) would be simpler.

4.4 In the view of many of our members, the standard is too closely focussed on climate change targets and does not give enough consideration to fuel poverty. This would seem to be evidenced by the fact that the two dates for proposed targets tie into the target dates in the Climate Change (Scotland) Act 2009<sup>7</sup> and by the acknowledged problem that the in some cases investment to meet the preferred measure of performance, Environmental Impact, could lead to reduced energy efficiency performance and higher fuel bills.

4.5 Minimum standards for energy efficiency should be set for all sectors, with an appropriate lead in time to allow owners and landlords to prepare. This would serve an equitable approach, is vital if fuel poverty and climate change are to be

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<sup>7</sup> Scottish Parliament (2009), Climate Change (Scotland) Act

alleviated, and would enable housing associations and co-operatives to improve mixed tenure schemes.

4.5 In conclusion, housing associations and co-operatives continue to lead on innovation and good practice in energy efficiency, and have the potential to do so as the Scottish Government works towards meeting its fuel poverty targets. However, we cannot have a situation where housing associations and co-operatives are expected to lead in meeting higher standards and implementing new technologies while any available Scottish Government funding goes to incentivise the private sector. There should be a level playing field with minimum standards set for all and grant funding made available where it can be identified as being needed to enable retrofit programmes to proceed.

SFHA

28<sup>th</sup> September 2012