



# **Consumer Focus Scotland's response to the Scottish Government's Consultation on Homes that don't cost the earth**

**September 2012**

# About Consumer Focus Scotland

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Consumer Focus Scotland is Scotland's independent consumer champion.

Our work is about helping to improve energy, post, water, digital, legal and many other essential public and private sector services in Scotland.

This means securing a fair deal for consumers by promoting fairer markets, more responsive public services and improved customer service. It also means using our statutory powers to investigate when things go wrong.

These are tough times for consumers and the most vulnerable are those who are most dependent on essential services and those in need of help and protection. That is why we are doing all that we can to support those who need our help most.

Our wins for consumers help put money back in people's pockets and improve lifeline services now. Importantly, we are also making the big arguments to shape the best possible services for life in 21<sup>st</sup> century Scotland.

# Homes that don't cost the earth: a consultation on Scotland's sustainable housing strategy

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## Consumer Focus Scotland Response

### Introduction

Consumer Focus Scotland welcomes the opportunity to respond to this consultation. Since 2003/04, energy prices for domestic consumers have more than doubled. While there have been considerable and welcome improvements in the energy efficiency of Scotland's housing, these improvements have not been sufficient to offset increases in energy prices, and Scottish Government data shows that rates of fuel poverty have risen sharply as a result.

We will continue to campaign for improvements to the energy market to ensure consumers get a fair deal and that any price rises are justified. Further, we recognise and appreciate the Scottish Government's continued commitment to publicly funding programmes to address fuel poverty.

However, it is clear that the scale and direction of fuel poverty trends is such that only a step change in the energy efficiency of homes in Scotland can have a long term impact on the problem. Significant improvements will also contribute to the Scottish Government's targets on climate change emissions while also bringing economic benefits, in terms of releasing consumer spending as well as in directly generated employment.

We therefore welcome and strongly support the Scottish Government's vision for the strategy which aims to:

- Deliver a step change in provision of energy efficient homes to 2030 through retrofit and new build
- Ensure that no-one in Scotland has to live in fuel poverty, as far as practicable, by 2016
- Make a full contribution to the Climate Change Act targets, as set out in the RPP; and
- Enable the refurbishment and house building sectors to contribute to and benefit from Scotland's low carbon economy and to drive Scotland's future economic prosperity

The draft strategy identifies five areas for particular action, which we believe cover comprehensively all of the appropriate issues.

1. National Retrofit Programme (NRP)
2. Role of Standards
3. Financial market transformation:

4. New build market transformation
5. Skills and Training

During the course of the consultation, we have discussed the issues with stakeholders, and we have also participated in three consultation events. Both these discussions and our own analysis emphasise the extent to which the actions proposed are interdependent, and, consequently, the importance of taking forward the proposals as an integrated package. For example:

- The NRP has great potential to improve systematically the energy efficiency of housing in Scotland. While we would always encourage actions which support voluntary action by consumers, we also believe that the introduction of minimum standards of energy efficiency will help generate take-up of measures under the NRP. On the other hand, the NRP will provide appropriate support for consumers to help them meet new standards.
- Similarly, actions to improve further the standards of energy efficiency required of new buildings (including, but not limited to housing) will help drive new build market transformation directly, while also helping demonstrate new technologies to consumers. In turn, consumers will then value energy efficiency to a greater extent, helping meet the aims set out in the chapter on financial market transformation. Greater interest from consumers will then feed through to increasing demand for training on the part of industry.
- We welcome the increasing focus on solid wall insulation and microgeneration for older and off gas grid properties. However, we recognise that the market for these technologies is much less well developed. We therefore believe that, in parallel to developments in new building, more demonstration projects are needed to help show consumers what can be done, while also building the capacity of the construction sector to make use of new technologies. The parallel consultation, on increasing standards of energy efficiency in social housing, is therefore relevant to the overall strategic outcomes set out in the draft strategy.

We also note that, since work on the sustainable housing strategy first began, there have been further changes in the wider context. The Scottish Government has published figures<sup>1</sup> showing that the climate change target for 2010 was not met, implying the need for further action in future years. In addition, SSE announced energy price rises<sup>2</sup> of 9%; although other energy companies have not so far followed suit, there have been indications that further prices may take place, and others are withdrawing the most competitive tariffs available to new customers.

These changes add further to the importance of this consultation, and the actions which will follow from the final strategy. Our comments, below, are intended to help strengthen the draft strategy further, and in particular to ensure that measures which are taken to deliver the agreed aims reflect the needs and views

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<sup>1</sup> <http://www.scotland.gov.uk/News/Releases/2012/07/GHGemissions17072012>

<sup>2</sup> <http://www.sse.com/PressReleases/2012/EnergyPricesOct2012/>

of consumers. As such, we make some comments and suggestions which do not refer specifically to consultation questions.

## INTRODUCTION

### **Q1: Are the vision and objectives as set out in sections 19 and 20 appropriate?**

We strongly support the vision and objectives. We welcome, in particular, the development of a strategy which integrates fuel poverty, climate change and economic development policies.

### **1: NATIONAL RETROFIT PROGRAMME (NRP)**

### **Q2: What do you think are the main barriers that prevent home owners and landlords from installing energy efficiency measures?**

We believe that barriers to take-up of energy efficiency measures fall into three categories, depending on the measures required.

#### *Basic Measures*

For easy and low cost measures such as loft or cavity wall insulation, we recognise and welcome the trends described in the draft strategy, which show that take up of measures in Scotland has made considerable progress in recent years.

In addition, it is reasonable to assume that there has been further progress beyond the figures quoted (table 1), which are from 2010. Since that time, there has been a great deal of further activity under Scottish Government energy efficiency programmes. In addition, the majority of larger energy companies have introduced offers, in recent months, to install loft or cavity insulation at no cost to consumers, both owners and tenants,<sup>3</sup> in order to meet CERT targets, and have also funded short term promotions through DIY chains to offer loft insulation at very low prices.

It is therefore reasonable to assume that remaining take-up of basic measures by consumers is limited by factors other than availability and cost. We would suggest that outstanding barriers for low cost measures are likely to depend on individual circumstances, and that issues to be overcome might, for example, include:

- consumer perception of the risks or downsides of having insulation installed, for example among those worried about damp problems as a result of inappropriate cavity wall insulation, or about loss loft storage space;
- lack of access to enabling measures (loft clearance, scaffolding);
- the division between cost and benefits among Private Rented Sector landlords and tenants, which can act as a barrier both for individual households, and in the case of flats can also create a wider administrative barrier, even where other owners are in favour of work taking place.

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<sup>3</sup> See, for example, <http://www.hydro.co.uk/BeingGreen/Insulation/> - other energy companies have similar offers in place at present.

Our earlier research<sup>4</sup> and experience of the Scottish Government's Universal Home Insulation Scheme (UHIS) show that these barriers can, at least to some extent, be overcome through well developed area-based schemes, especially those which work through trusted local organisations. Given the cost effectiveness of loft and cavity wall insulation, we believe that there is a case for continuing to deliver these measures, along the same lines as currently taken by UHIS, and we expand on this in answers to subsequent questions below.

### *Solid Wall Insulation*

More widely, and as recognised in the consultation document, there are different and more complex issues facing consumers seeking to improve the energy efficiency of older or traditionally built houses, including both those in rural areas and Victorian tenements and houses in urban Scotland. Recent evidence<sup>5</sup> suggests that, while increasing numbers of Solid Wall Insulation (SWI) pilot projects are being delivered and evaluated, there is not yet agreement on what measures are most appropriate in different circumstances. The same report suggests that questions remain about the financial costs and benefits of SWI, with many practitioners suggesting that traditional stone walls are better in terms of thermal performance than RdSAP modelling might suggest.

Given these issues, and taking into account the higher levels of costs and disruption involved in installing SWI, we would suggest that consumers face a wider range of barriers above and beyond those outlined above, including:

- Uncertainty about the relative merits of different technical approaches which they may be offered;
- Significant installation costs and uncertainty about payback times;
- Disruption during the installation process, although the nature of the disruption will vary depending on whether internal or external solid wall insulation is chosen.

A further barrier is that many traditional Scottish houses are constructed with 1½ stories, so that upstairs rooms with combed ceilings are not suitable for loft insulation. Barriers to insulated combed ceilings are similar to those encountered for solid walls. Overall, it is perhaps more appropriate to regard the market for SWI as sharing more with the market for microgeneration at present – characterised by a mix of early adopters among the able to pay market, alongside projects led by social landlords seeking to ensure their tenants have access to affordable energy. This needs to be considered when developing programmes to increase take up of these measures.

### *Heating Systems*

Consumers in either of these circumstances will also, at some point, need to upgrade or replace their heating systems. For consumers with access to mains gas, efficient boilers continue to represent the most effective alternative, in terms

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<sup>4</sup> Energising Communities,

<http://www.consumerfocus.org.uk/scotland/publications/energising-communities>

<sup>5</sup> Changeworks Solid Wall Insulation conference report, available at

<http://www.changeworks.org.uk/publications.php>

of both upfront costs and running costs. Barriers facing fuel poor consumers are likely to relate to the cost of upgrading their system.

Consumer Focus research suggests that consumers using storage heating often experience problems which are more to do with understanding either the electricity tariffs involved, or the way to get the best from their heating systems.

Rural consumers without access to mains gas may also face additional barriers when considering whether to install a renewable heating system. These include:

- Significant upfront installation costs
- Uncertainty about running costs, and consequently payback times
- The adaptations to behaviour needed to get the best from the new system.

As above, consumers living in private rented accommodation face barriers related to tenure which add another layer of complexity.

**Q3: Please explain any practical solutions and incentives to overcome any barriers you have identified?**

Following from the above, and as outlined in this chapter of the Strategy, we believe that the experience of current area-based energy efficiency programmes in Scotland offers the best model to overcome barriers to take up of loft and cavity wall insulation. Area-based programmes, because of the face to face advice provided, also offer opportunities to provide consumers with advice on other measures or approaches which may help them reduce their bills, and to promote related other Scottish Government policies, such as waste minimisation or water efficiency.

However, area-based programmes need to be complemented by intensive support targeting consumers in greatest need, regardless of their location. We therefore see a continuing need for a demand-led programme, similar to the existing Energy Assistance Package (EAP), which would provide a higher level of assistance where necessary. Experience suggests that there will be close links between these programmes – area-based approaches already help identify those who are eligible for elements of the EAP.

We would, however, suggest that an evaluation of all Scottish Government energy efficiency programmes would be helpful to draw out specific examples of good practice which have been most effective in different circumstances and when working with different groups of consumers.

Solutions to overcome barriers around SWI are less well developed. There are likely to be lessons from CESP projects and from the more limited work undertaken on hard to treat properties funded through CERT, in some cases linked with UHIS. As noted above, the figures available suggest that take-up of SWI is at an early stage at present. As a result, we would suggest that actions to widen availability, alongside promotion through area-based programmes, should include:



- Demonstration projects to demystify the technologies for both consumers and the insulation industry
- Further projects led by social housing providers

**Q4: Given Scotland’s diverse range of housing, what support is needed to enable people get energy efficiency measures installed?**

The draft strategy notes that much of the easy work, in terms of insulation, has been done. We agree the available evidence suggest this is the case, and would suggest that, as more complicated physical measures and / or support for consumers is needed, area-based programmes which offer bespoke advice will be the most appropriate response. More detail of how a model programme might work is given below (Q6).

**Q5: a) what specific issues need to be addressed in respect of improving energy efficiency in rural areas, particularly more remote or island areas?  
b) how should these be addressed?**

We have welcomed the principle of UK Government’s intention to widen energy efficiency support towards SWI, above, and through the Renewable Heat Incentive, as these measures are more likely to be needed in rural areas.

Historically, however, the pattern of CERT distribution shows that energy companies have sought to deliver their carbon saving targets most effectively at minimum cost. While understandable, that approach has tended to militate against spending in rural and remote areas, given the higher unit costs typically involved. We therefore welcome the principle of the decision by DECC to ring fence a small proportion of the Energy Company Obligation (ECO) funding towards rural communities; it is critical that delivery of this aim takes account of the needs of rural Scotland.

As with the NRP more generally, the challenge will be to ensure that organisations trusted by consumers in rural areas are able to access ECO effectively. Evidence from both Climate Challenge Fund (CCF) projects and from energy company experience suggests that locally based organisations with personal contacts among consumers and communities are able to do this most effectively, especially where more complex measures are needed and where personal recommendations based on experience are critical. The experience of some CCF projects<sup>6</sup> also suggests that, while material costs can be higher in remote or island areas, the use of local traders can reduce costs overall, when compared to delivery of measures in more populated areas.

We would therefore suggest that contract and procurement approaches, where the Scottish Government has influence over these, should seek explicitly to maximise opportunities for both local organisations and small scale rural businesses. In addition, as above, demonstration projects open to public view are also likely to be helpful here.

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<sup>6</sup> See, for example, <http://www.sustainableuist.org/>

**Q6: Taking into account the models and funding sources outlined in sections 1.20-1.37, what role might local authorities and other agencies play in bringing about a step change in retrofitting Scotland’s housing?**

We welcome the Scottish Government’s continued commitment to publicly-funded energy efficiency programmes, within the wider context of the NRP. As stated in the consultation, the challenge is to design a NRP delivery mechanism which integrates different private and public funding packages and complementary advice services and which ensures that individual consumers, whatever their circumstances or house type, receive appropriate assistance to help them reduce their energy bills.

While we consider that a thorough evaluation of existing Scottish Government programmes to help inform future approaches, available evidence shows that existing programmes, particularly UHIS, provide lessons and good practice on which the NRP can build. UHIS has been very successful in increasing take-up of loft and cavity wall insulation. This has, in particular, been the case:

- in blocks of flats where provision of free measures for all has helped address barriers caused by a minority of owners refusing to pay;
- in circumstances where loft clearance or other enabling measures overcome a barrier;
- where delivery programmes have successfully generated momentum by working with communities and trusted intermediaries at local level, helping to overcome consumer confidence issues.

At the same time, the EAP was targeted towards consumers who are both likely to be at risk of fuel poverty because of their circumstances, while also taking account of the existing levels of energy efficiency of their home. EAP provided an integrated package of support, including both income maximisation (benefit checks) and, to a limited extent, advice on tariffs. Anecdotal evidence suggests that a significant proportion of EAP beneficiaries were identified through HIS or UHIS programmes, or through other area-based work, however, underlining the difficulties of engaging with particular groups of hard to reach consumers – an issue which is also reflected in the problems faced by energy companies seeking to deliver Carbon Emissions Reduction Target (CERT) measures for the Super Priority Group.

Individual elements of the NRP should build on successful elements, while at the same time taking account of changing circumstances. As a member of the Scottish Fuel Poverty Forum, we contributed to the discussions which led to the proposal that new Scottish Government programmes should reverse the financial balance between area-based, proactive programmes providing basic measures delivered at local authority level (UHIS), and a more intensive, demand led programme (EAP) targeted at fuel poor consumers regardless of their location. We appreciate, however, that the introduction of the Green Deal and ECO mean that changes are needed to existing programmes, not least to maximise the resources available to consumers seeking to reduce their energy costs.

As discussed at the Forum, we agree that a transparent fuel poverty mapping exercise is needed to identify areas likely to have a higher risk of fuel poverty, so

that funding for delivery can be targeted appropriately. However, we believe that mapping also needs to identify the detailed causes and likely solutions needed under local circumstances. Three examples illustrate the need for differing approaches:

- For some consumers, particularly those in areas where there has been less UHIS activity, an area-based programme extending the UHIS model will be appropriate. In that case, as now, all consumers in target groups should be offered free loft and / or cavity wall insulation, funded through ECO or by the Scottish Government as appropriate. We would suggest that the approach of funding basic measures free of charge to all consumers in flats or tenements, where lack of communal agreement would otherwise present a significant barrier to take up in target areas, should also continue.
- At the same time, Scottish Government data show that fuel poverty is rising amongst social housing tenants, despite the fact that the majority of social housing has already been improved in terms of energy efficiency. Consumers living in social housing are likely to benefit most from income maximisation and tariff advice, which should be integrated with existing welfare support services, and from programmes delivering energy efficiency advice as well as additional physical measures where appropriate. There are already examples of this type of support being provided by Housing Associations.
- More widely, fuel poverty is highest among consumers living in rural, remote and off gas grid areas. Many of these consumers have not, to date, been able to benefit from low cost insulation measures, and so a wider programme of solid wall insulation, perhaps coupled with installation of renewable heating systems, is likely to be necessary.

These examples suggest that it will not be possible nor appropriate to specify in detail the services provided in individual areas; local authorities, working with local partners, are much better placed to tailor programmes. The design of the NRP therefore has to take account of:

- the need to provide an integrated package of measures for consumers, taking account of both the technical challenges outlined above and of the need to complement energy efficiency measures with income maximisation and tariff advice;
- geographical targeting towards areas where fuel poverty is most prevalent;
- the need to offer measures in ways which meet consumers' needs and circumstances, and
- the requirements of existing and new funding streams.

We would further recommend that the programmes, at the point of delivery, should be as flexible as possible, so that additional monies can be used to expand the range or scale of ongoing programmes as easily as possible, rather than setting up new mechanisms when resources become available.

Given this background, it is clear that the process of designing of the NRP will clearly be complex, and that much more discussion will be needed to develop the detailed approach.

However, this need not and should not mean that the delivery of the new programme should appear complex from the perspective of consumers. The table below provides a suggestion as to how the engagement process should ideally be presented to individual consumers. This process is adapted from that originally set out in our 2010 publication *Energising Communities*, which was synthesised from good practice among existing area-based energy efficiency schemes being delivered in Scotland at that time.

Consumer View	Notes and NRP Implications
Promotion of the scheme takes place within the area to be covered, using local media as well as word of mouth through trusted intermediaries at community level	Marketing materials should include local case studies and testimonials from previous beneficiaries
Consumers receive letters suggesting a time for a visit, describing what will happen, and also providing information on how to alter the appointment if unsuitable	Consumers should be able to book an appointment at a time of their choosing, including evenings and weekends.
<p>Visit takes place. Where appropriate, and based on discussion with the householder(s), the adviser:</p> <ul style="list-style-type: none"> <li>- provides advice on energy efficiency behaviours (heating controls, etc) and low cost measures (low energy lighting);</li> <li>- refers back to existing electricity supplier for tariff advice and to check eligibility for other energy company services;</li> <li>- refers to appropriate assistance for income maximisation;</li> <li>- carries out an assessment and completes an EPC to a standard suitable for Green Deal / ECO;</li> <li>- offers initial advice on suitable sources of assistance for specific measures, taking account of individual circumstances, and including any enabling measures needed</li> <li>- Where basic measures are appropriate and available at no cost to the consumer, the adviser should be able to arrange a time for installation during the visit.</li> </ul> <p>It may be necessary to arrange a follow-up visit, for example where the assistance available depends on the outcome of a</p>	<p>This visit will be at the heart of the process.</p> <p>It is critical that each adviser has the capacity to respond to all energy questions consumers might reasonably ask, either directly or via telephone support.</p> <p>The adviser has to be able to facilitate access for consumers, depending on their circumstances, to the most appropriate source of energy efficiency measures.</p>

benefit check, or where complex measures are needed, such as SWI or support for a new heating system.	
Measures are installed; measures are provided free of charge to the fuel poor, either through ECO or SG funding if not. Depending on their circumstances, consumers may be referred to a Green Deal provider.	An advocacy role for vulnerable consumers may be needed throughout the process, especially where complex measures are required.
Follow-up phone call after 3-6 months to check satisfaction and identify any further assistance needed	

**Q7: What role should the Scottish Government play in a NRP?**

There would be three main activities for the Scottish Government in developing a programme of this type, all of which build on existing work:

- The first task is to oversee the initial mapping exercise, so that allocation of resources is transparent.
- The second is to maximise the funding available, by co-ordinating public sector resources, discussing (as is currently the case) opportunities with energy companies, and, if appropriate, Green Deal providers.
- The third is to ensure that, throughout delivery, good practice is identified and replicated, with monitoring and evaluation against Scottish Government outcomes considered from the start of the process.

**Q10: How can we make sure a NRP maximises benefits to all consumers (for example, older people, those from ethnic minorities, those with long term illness or disability)?**

The area-based approach, above, has the advantage of working with all consumers in an area, including those who are vulnerable or disadvantaged. To complement this, we would recommend that trusted intermediary organisations be involved, at local level, in the design and delivery of schemes, so that they can target messages as appropriate to their client groups.

**Q9: What further action is needed to achieve the scale of change required to existing homes?**

We consider that the NRP will provide support for consumers to help improve the energy efficiency of their homes. However, as highlighted in the introductory section of this response, other measures proposed in this consultation will link to the success of the NRP. For example, the introduction of minimum standards of energy efficiency in private sector housing is likely to send a signal to home owners that energy efficiency measures will affect the value of their house in addition to improving comfort and reducing costs. In turn, that is likely to encourage take-up of measures under the NRP.

As noted in our introduction, levels of fuel poverty are strongly influenced by energy prices. Since the start of the strategy consultation process, SSE has announced price rises of 9% for both gas and electricity. Although other companies have not yet followed suit, there is clear upward pressure on prices which will influence costs for consumers and, in turn, the delivery of Scottish Government fuel poverty targets, one of the key drivers of this strategy. There is therefore a need to review periodically the level of resource available to deliver the strategy aims in changing circumstances.

## **2: THE ROLE OF STANDARDS**

**Q12: In box 6 we identify a checklist for maintaining a quality home. Do you agree with our proposed hierarchy of needs?**

Yes – the hierarchy sets a sensible approach. A minor point is that the 5<sup>th</sup> line ‘Review your boiler to ensure that it is efficient’ will not be appropriate for some householders, and could be better changed to ‘Review your heating system to ensure that it is efficient.’

**Q13: 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?**

At present, the action of a minority of owners who do not or cannot pay for communal improvements can prevent other owners from improving their property. This clearly creates a barrier to installation of energy efficiency measures to which a solution is required. At the same time, changing this approach would represent a substantial shift towards compulsion. We are currently undertaking research on the delivery of energy efficiency measures in tenements which we hope will be relevant to this question.

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

Our view is that option 4 is the preferred option (amending the Title Conditions (Scotland) Act 2003) supplemented by guidance for homeowners (option 2). The OFT’s Market Study on property managers in Scotland found that the low levels of switching in the property factors market was in part due to the difficulties of coordinating the individual owners in a tenement block or property development, and in part due to the problems these consumers have in understanding the processes involved in switching to another property manager. (OFT (2009) Property Managers in Scotland: a market study). The requirement for two-thirds of owners to agree to change a property manager can be burdensome for certain types of estates, such as new-build estates, or in tenements containing a significant numbers of rental properties. While the introduction of the landlord registration scheme has to some extent made it easier to locate absent owners, the difficulties have not been fully rectified.

We therefore support the proposal that the Title Conditions (Scotland) Act 2003 be amended to enable a simple majority of residents to dismiss a property factor, regardless of what the title deeds say, once the manager burden has expired. This would also bring the rules into line with those for home owners whose title

deeds do not set out a procedure for dismissing a factor, and would ensure that all homeowners have the same rights when switching their property manager.

We believe that when amending the Title Conditions (Scotland) Act 2003, the Scottish Government should amend the legislation to ensure the definition of 'property manager' applied by the legislation is the same as that used in the Property Factors (Scotland) Act 2011. The different definitions and interpretations used by different pieces of legislation currently leads to confusion, and we believe amending the 2003 Act to include the definition used in the 2011 Act would be an appropriate step to rectify this.

Consumer Focus Scotland also believes that providing advice to homeowners on dealing with factors and switching factors would be desirable. We would be very keen to discuss with the Scottish Government whether Consumer Focus Scotland's consumer guide on the management of tenements in Scotland, *Common Repair, Common Sense* could act as a foundation upon which to develop such guidance, and whether the Scottish Government would assume responsibility for updating and publishing this guide.

*Common Repair, Common Sense* is an extremely popular guide, and is regularly distributed not only to consumers but also to local authorities, landlords, housing associations and organisations such as Landlord Accreditation Scotland. Over a 1500 hard copies of the short version of the guide have been distributed in the last year, and both the short and detailed guide are also accessible via our website. However, in light of changes to Consumer Focus Scotland's general consumer advocacy role, with this passing to Citizens Advice Scotland in early 2013, we are no longer able to allocate resources to renewing this guide. The most recent edition (2<sup>nd</sup> edition) was published in September 2009 and we have been unable to update it to reflect changes introduced by the Property Factors (Scotland) Act 2011. Given the popularity of this guide, we would be very keen to explore with the Scottish Government the potential for it to take on responsibility for this, and some of our other property-related guides.

## **Q20: What actions can be taken to raise the importance placed by owners and tenants on the energy efficiency of their properties?**

We comment elsewhere in our response on the respective roles of incentives, professional support and the introduction of minimum standards, all of which influence the value placed on energy efficiency. However, research also shows clearly that consumers are more concerned about energy costs and comfort on a day to day basis than about environmental impact. Our main suggestion here is therefore that the information presented in Energy Performance Certificates (EPCs) should be used to inform consumers about typical running costs of a property at the point of sale or rental.

More widely, consumers are influenced by the behaviour of organisations around them. Regular and consistent demonstrations of good practice across the public sector estate will help highlight the benefits of energy efficiency and also help change the market for new build properties – this point is relevant to issues discussed in Chapters 3, 4 and 5.

Following from this, paragraphs 2.44 -2.47 explore issues around the future standard of new build housing, and include figures on the increase in capital cost of new houses to meet improvements in energy efficiency standards. There are two issues here which are not covered in subsequent questions.

- Firstly, the premiums seem high when compared to the well-documented experience of South Lanarkshire College<sup>7</sup>.
- Secondly, there is need to consider the total costs of new houses, including running costs over their lifetimes, rather than looking only at the up-front costs at the point of sale. It would therefore be helpful to describe running cost savings in financial, as well as environmental terms.

### **Q21: Should SG introduce minimum energy efficiency standards for private sector housing?**

The Scottish House Condition Survey (Table 26, 2010 data) shows that there were some 66,000 houses rated NHER poor in Scotland at that time. 60% of those households were in fuel poverty – more than double the prevailing rate at that date. Energy prices have risen sharply since those data were gathered, and fuel poverty has risen considerably overall; houses with poor energy efficiency ratings will be particularly susceptible to hardship caused by rising costs.

In early 2011, we published a report<sup>8</sup> which explored the case for the introduction of minimum energy efficiency standards in more detail. As set out in that report, we consider that, while an incentives based approach would be our first choice, it is clear that incentives alone have not driven the improvements required to ensure that the needs of consumers living in houses with very low energy efficiency are addressed.

In addition, the consultation document notes (2.64) that the UK Government has introduced an approach which will, from 2018, ban the rental of houses rated F or G, unless all green deal measures have been installed. Consumers living in PRS accommodation consistently highlight barriers to the installation of energy efficiency measures as a result of the housing tenure, and Scottish Government data (SHCS) shows that a greater proportion of PRS houses are rated NHER poor than is the case in other tenures. However, in terms of absolute numbers, there are more such houses in the owner occupier sector.

We would therefore agree that minimum energy efficiency standards for private sector housing, in both owner occupied and private rented sectors should be introduced.

We would suggest that an *initial* focus on the least energy efficient houses (EPC F&G / NHER Poor) would be appropriate, as:

- levels of fuel poverty and extreme fuel poverty among occupants of these houses are very high;

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<sup>7</sup> <http://www.south-lanarkshire-college.ac.uk/Renewable-Technologies/Renewable-Technologies/low-carbon-house.html>

<sup>8</sup> <http://www.consumerfocus.org.uk/scotland/publications/energy-efficiency-in-private-sector-housing-in-scotland-regulation-and-the-consumer-interest>



- while voluntary measures reduced the numbers of these houses in the early 2000's, there has been little change in the numbers more recently, despite increasing availability of voluntary / incentive based programmes; and
- the numbers of houses involved are relatively small, and so any effects on the housing market, the ability of business to respond or the public sector to oversee delivery will also be limited. This will increase the likelihood of regulations achieving their aim in practice.

However, we would also suggest that:

- In advance of regulation being introduced, the application and promotion process around voluntary measures should continue to be promoted (linking back to the NRP). Landlords' organisations attending consultation events have also raised the need to simplify the application process and tax system to promote take-up of energy efficiency measures as far as possible.
- Regulations should be designed so that standards can be increased in future if necessary.

**Q22: How could we amend EPCs to make them a more useful tool for influencing behaviour change to improve energy efficiency?**

We welcome the measures outlined to improve both the information presented in EPCs, and their use. As noted above (q 20), we consider that the provision of clear and integrated information on energy efficiency, likely energy bills, and costs of any suitable improvements is critical for consumers, whether buying or renting a house.

- EPCs should, as will be the case with Green Deal assessments, contain information on typical energy running costs; and
- EPCs should have a higher profile for consumers than is currently the case. In this respect, we welcome existing proposals, for example to include EPC A-G rating more prominently in property advertising.

**Q23: Are there other key principles that we ought to consider when looking at the possible introduction of regulations?**

The list of issues to be discussed is comprehensive. However, discussions at consultation events and with stakeholders more widely have shown that there is not yet clear understanding of what any possible regulations might mean in practice – for example, a stakeholder at the Existing Homes Alliance consultation event put forward the view that regulation would require the installation of solid wall insulation to improve the rating of a stone-built, off-gas-grid house, at costs in excess of £10,000.

Research by the Energy Saving Trust (EST) suggests that this is not the case<sup>9</sup>. However, this perception clearly indicates the need for both the production and promotion of information, including appropriate case studies, describing existing NHER poor housing, and what has been done at what cost to improve it. This information should be available from, for example, improvements funded through the Energy Assistance Package and other public sector schemes.

**Q24: How could regulation be used to support the uptake of incentives?**

Chapter 3 of the consultation document looks at market transformation, and explores issues around the value placed by consumers on energy efficiency and wider aspects of sustainable housing. While a combination of measures will be needed, we would suggest that the introduction of regulations will in itself send a signal that more value should be placed on energy efficiency, and that, in turn, will help encourage take up of incentives.

**Q25: In section 2.68 we identify design options for the standard. Do you have any views on the options set out? Are there others we should consider?**

As part of the development of our report on minimum standards<sup>10</sup>, we ran two focus group sessions to explore the preferences of consumers on any approach to be taken. Their views varied, depending on their position:

- Those selling a house or acting as landlords preferred a measures-based approach, because it was clear what was required of them.
- However, the same individuals in the position of buying or renting a house preferred a standards-based approach, because that provides greater certainty about running costs.

In both cases, participants agreed that a financial cap on necessary improvements should be included. Although the Green Deal was at a very early stage of development when these discussions took place, the idea that only cost-effective measures would be required (as would meet the Golden Rule) was one which participants endorsed.

In practice, we would suggest that a combined approach might be needed, which would identify cost-effective improvements necessary to reach a certain EPC level for the specific house in question - a Green Deal assessment should provide exactly this information.

**Q26: 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?**

**Q27: If you agree with Q26, should houses of the same type in the social and private sectors be expected to meet the same standard?**

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<sup>9</sup> <http://www.energysavingtrust.org.uk/Publications2/Housing-professionals/Refurbishment/F-G-banded-homes-in-Great-Britain-research-into-costs-of-treatment>

<sup>10</sup> <http://www.consumerfocus.org.uk/scotland/publications/energy-efficiency-in-private-sector-housing-in-scotland-regulation-and-the-consumer-interest>

There are a number of issues to be considered under this question:

- Consumers, particularly in the rented sector, should have the right to expect homes they rent to be affordable in terms of heating.
- At the same time, simplicity and ability to deliver will be critical to the success of any proposed regulation
- The capacity of, and support available to social landlords is much greater than for private sector owners or landlords, and their tenants are, in general, more likely to be vulnerable or disadvantaged. Further, the SHQS has been in place for some years and is only now being revised.
- In addition, we view the role of regulation as providing a backstop to address the least energy efficient houses, while being complemented by continuing availability of incentives.

On balance, we would suggest that regulations should not be tailored to property type and location as suggested, at least in the early stages. However, learning from the SHQS experience, it would be appropriate to make provision for regulations to be adapted to do this in future if necessary.

**Q28: Are there other specific issues we need to consider in introducing regulation on the energy efficiency of the home for particular groups of people (older, people with disabilities)**

A key test of any possible regulation must be the extent to which it benefits vulnerable and disadvantaged consumers. We believe that this question raises three issues:

- Firstly, there remains a need for targeted energy efficiency support (as is currently provided by EAP) for vulnerable consumers. Our response to the questions in Chapter 1 provides more detail on our views on this.
- Secondly, experience (for example, delivery of CERT Super Priority Group targets) shows that engagement with vulnerable or disadvantaged groups often requires bespoke approaches, and that information is best delivered by intermediary organisations trusted by different groups. This would be relevant for the promotion of information on minimum standards.
- Thirdly, the way regulations are designed and applied needs to take account of the circumstances which might face vulnerable consumers. For example, it would not be appropriate to make an elderly person carry out significant, expensive or disruptive works as a condition of selling their home prior to moving to retirement accommodation. An approach which is flexible enough to permit either the seller or buyer to carry out improvements would be more appropriate.

**Q29: Should we consider additional trigger points to sale or rental? If so, what should these be?**

We agree that the points of sale or rental are the most obvious places for regulation to be applied. In addition, we agree that renovation works provide an additional opportunity to encourage energy efficiency work to be undertaken at the

same time. However, many improvements (new kitchens or bathrooms, re-roofing work) do not require local authority permission or involvement, so it would be necessary to consider how best to promote actions alongside that work, highlighting the importance of involving linked trades in ongoing discussion. Further, we are aware that landlord representatives have raised questions about insulation works not being eligible for tax relief, while other improvement works are eligible; a consistent approach to this would be helpful.

**Q30: Should rollout of any regulation across the owner occupied and PR sectors be phased or all at once? If you think rollout should be phased, how should this be done?**

As noted above, it is critical that any new regulation is simple and effective so that it delivers the intended benefits. We would suggest that application of standards at the point of sale or rental, backed up by continuing access to incentives, represents the best option. This is because mechanisms (landlord registration, conveyancing process) already exist into which regulations could be added. Going beyond this to the application of standards for all housing from a set date would require the development of an entirely new process and delivery mechanism.

We agree with the suggestion that regulation should only be applied after promotional work which should, at the same time, encourage take-up of existing voluntary approaches. However, we would suggest that the prospect of regulation is in itself a driver to encourage voluntary take up, and so we would not favour the application of regulation only in areas where energy efficiency programmes have already taken place, especially given it is expected to take some years for all areas to be covered.

We also agree that regulation should be focused on the least energy efficient properties initially. The rationale for this is that:

- focusing on F & G rated / NHER poor properties means that those consumers at greatest risk of fuel poverty are helped first;
- the numbers of houses involved are relatively limited, so giving the property industry an opportunity to adapt.

Regulation should, however, be designed so that it could be extended to include, for example 'E' rated properties from a future date once processes are established. We note that the bottom of band D is the minimum standard already required in the social sector, and the current consultation seeks views on setting higher standards in some circumstances. It is also the trigger point below which consumers can access assistance under the EAP; this implies that band D is the de facto minimum standard in other circumstances.

**Q31: What other issues around enforcement do we need to think about when considering different approaches to how regulation might work?**

If designed and promoted appropriately, we believe that the current conveyancing process should be able to take on board minimum standards without difficulty. As noted above, we believe that the burden should be transferable – once only – to the new owner at the point of sale. As well as reducing the burden on the seller,

this approach means that buyers would be able to carry out energy efficiency improvements alongside any other work they might wish to do when moving in.

In the PRS, we are aware that other stakeholders are calling for an extension of the landlord registration process so that it includes aspects of housing quality, rather than focusing, as is currently the case, only on the landlord. Should this approach be adopted, such an assessment should also include energy efficiency. The capacity of local authorities (or other publicly funded bodies) to carry out such assessments would need to be proportionate to any new system.

**Q32: In sections 2.76-2.79 we suggest that one way of regulating would be to issue sanctions.**

**A: Do you think sanctions on owners should be used to enforce regulations?**

**B: Should owners be able to pass on the sanction or obligation to buyers?**

We agree that the possible use of sanctions is important to give (any) regulation credibility and ensure its success. However, any sanctions should work, as far as possible, with the interests of consumers. In each of the cases below, the financial interest of the owner encourages them to take appropriate action. We would suggest that this would be more effective and efficient than designing and delivering a separate sanctions process:

- We agree that the obligation to carry out energy efficiency improvements should be transferable from a seller to a new owner. However, the new owner should not then be able to re-sell the house without having carried out those improvement works.
- In the PRS, the sanction on a landlord should be that they cannot rent out a house which does not meet the required standards. We appreciate that this is likely to require an extension of the role of local authorities, and that resources will be required to enforce this; however, there will be direct benefit to PRS tenants, who consistently report barriers to the improvement of energy efficiency, and consequent reduction of energy bills, in their homes.

We are aware that some stakeholders have suggested that new housing benefit claims should not be payable to properties associated with landlords who are not registered, or which fail to meet acceptable standards. While this idea may have value, we would suggest that any such proposals be closely examined to ensure that, as with regulation more generally, consumers benefit overall, and unintended consequences are avoided.

**Q33: The Scottish Government does not intend to regulate before 2015. The working group will consider what options for the timing of regulation might be appropriate, but given the points 2.80 – 2.81, when do you think it might be appropriate to apply regulations?**

Given increasing levels of fuel poverty and rising energy costs, we would suggest that regulations should be applied as soon as possible during or after 2015, as a necessary part of the process of the Scottish Government meeting its existing fuel poverty target. However, we also appreciate the need for the delivery of

regulations to be effective. We would therefore suggest that the working group should look explicitly at the processes which need to be put in place, including time for promotion of the changes, and should make recommendations on the timing of regulations on that basis.

### **3. FINANCIAL MARKET TRANSFORMATION**

**Q34: In 3.11 – 3.13 we describe the range of legislative and policy levers that we believe are available to help transform the financial market so that it values warm high quality low carbon homes.**

**A Do you agree that this is the full range of measures?**

**B Can you suggest ways to help transform the market for more energy efficient homes?**

We agree with the introductory analysis to this chapter, and in particular (section 3.4) the point that many more households will be influenced by financial considerations, and by comfort, than by environmental concerns. Our research<sup>11</sup> shows clearly that consumers are increasingly concerned about rising energy costs.

In addition, the relatively widespread take-up of solar PV panels as a result of the introduction of FiT payments shows that consumers and industry can and do respond to high profile market signals. However, while there is some indication of increased take up of energy efficiency measures as a result of rising energy costs, these concerns do not yet seem to be translating into mainstream decisions about property purchase or investment.

We agree that the consultation does identify the full range of measures which can be used to influence behaviours. However, we would draw a distinction between the actions listed in section 3.10 which are enabling measures (supply side) and those which seek to change the views of consumers (demand side). As the consultation recognises, supply side actions (better tools for surveyors, wider range of mortgages) are essential tools, but are unlikely to be sufficient on their own. We would therefore recommend that more should be done to encourage and support change on the demand side:

- As discussed earlier in our response, we welcome the compulsory use of EPC data at the point of advertising; at present, EPC data seems to be used rarely as a selling point for very efficient houses. While it will be helpful to display the rating in advertising, we believe it would be more helpful to ensure that the running costs are emphasised; our research shows that consumers respond much more to financial data than to an abstract rating.
- We would also agree with the need to look in more detail at the experience of using Council Tax or Stamp Duty rebates as a means of highlighting opportunities to take energy efficiency actions.

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<sup>11</sup> Forthcoming Consumer Focus Scotland research compares attitudes to energy costs in 2010 and 2012, and shows a clear increase in consumer concern.

Further, there are more opportunities to show the benefits of energy efficiency in terms of warmth. As we note above, consumers are influenced by social norms; well insulated, warm public buildings which are clearly advertised as such should act as examples to show both what can be done and the resulting benefits. While initiatives like EST's green homes network are very welcome, they depend on consumers actively seeking out support and are therefore most useful in the early stages of market development, for example for microgeneration or for SWI. We would argue that this approach needs to be complemented by making energy efficiency more visible to consumers throughout their day to day activities, and improvements to public buildings are an obvious way to achieve this, while also demonstrating to consumers that the public sector is itself taking the actions it suggests for others.

**Q35: What changes would be required to current survey and lending practice to enable mortgage lenders to take account of the income from new technologies or savings on energy bills?**

We would suggest that these changes will take place over time as practice reflects rising energy costs. It is clear that in some settings – for example, in commercial property such as hotels, or where a rural property benefits from EU agricultural subsidies – surveyors can and do take account of income when valuing buildings. Ongoing discussions should help highlight the parallel value of energy efficiency improvements.

More widely, it would be interesting to investigate the extent to which Council Tax influences property values when compared to energy efficiency, as both Council Tax banding and energy efficiency ratings are displayed on all property adverts. Our forthcoming research shows very clearly that around half of all consumers are equally concerned about both energy and Council Tax bills; of the others, concern about energy bills is rather higher than Council Tax. Both bills represent a cost which should be taken into account by lenders when assessing property value and consumers' ability to service a mortgage. We would suggest that research be carried out on the extent to which this is actually the case in practice, and, depending on the results, what could be done in response.

**Q36: Section 3.15 lists challenges which may prevent the benefits of more sustainable houses being recognised in future. What further challenges, if any, need to be addressed?**

Some of the challenges listed link to the discussion above around understanding of technical measures. Others, particularly the way in which the green deal will affect property values, are difficult to predict, but could clearly be significant issues depending on take up of the scheme in Scotland. We would suggest that SG should continue to discuss green deal issues with stakeholders, and that property professionals should be explicitly included in these discussions, so that any concerns can be raised and addressed at the earliest opportunity.

**Q37: Sections 3.16 – 3.22 set out the actions SG is currently taking to encourage greater recognition of the value of sustainable homes. Do you agree that this action is appropriate? What further action is needed?**

As above, we agree that all of these actions are appropriate and helpful. However, we would emphasise that the wider context also influences consumers, and emphasise the importance of promoting energy efficiency throughout all buildings over which SG has influence, not just housing.

#### **4: NEW BUILD MARKET TRANSFORMATION**

**Q39: Section 4. 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 list of challenges seems comprehensive.

**Q40 What action is necessary to increase the capacity for developing and bringing to market innovative methods of construction?**

Industry will, ultimately, respond to demand. While other chapters of the consultation have explored market transformation, the public sector in Scotland can – and in some cases already does – specify projects to a higher standard of sustainability than is required by current building standards. We would suggest that there is a strong case for continuing to do this more widely, because:

- it helps to create a market for innovative methods of construction, building industry capacity and confidence in the use of new techniques;
- as discussed above, the buildings themselves will act as examples of good practice for consumers who visit them, and also demonstrate in practice the public sector's commitment to energy efficiency.

#### **5. SKILLS AND TRAINING**

While we are not able to respond to the detailed questions raised in this chapter, we would like to make two relevant points.

Firstly, we welcome (section 5.10) the explicit recognition of the need for consumer engagement skills:

*...workers who have communication and customer service skills, who can explain and demonstrate how technologies work and influence behaviour so that they are used effectively.*

In our view, training around these issues should be part of all skills development courses, and there is increasing evidence<sup>12</sup> that advice or lack of it makes a significant difference to consumers' experience, particularly of heating controls.

Secondly, as we noted in response to earlier chapters, demand for training by industry will respond to perceived market opportunities. A consistent approach to specifying higher levels of energy efficiency in more Scottish public sector procurement projects will provide this signal, and will increase demand for training accordingly.

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<sup>12</sup> See, for example, <http://www.consumerfocus.org.uk/scotland/publications/21st-century-heating-in-rural-homes>, and



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