

4. Please indicate which category best describes your organisation

(Tick one only)

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

Scottish Government Consultation
Homes that don't cost the Earth:
A consultation on Scotland's Sustainable Housing Strategy
Scottish Building Federation response

About the Scottish Building Federation

Founded in 1895, the Scottish Building Federation (SBF) is the lead voice of the construction industry in Scotland, an industry which contributes around £10 billion (c.10%) annually to Scotland's GDP and – directly and indirectly – provides employment for more than 200,000 Scottish workers. The overall aim of the organisation is to ensure that the important contribution of the Scottish construction industry to Scotland's economy and society is recognised and valued, and that industry standards are raised. It does this by working with industry, government and the media.

Introduction

The Scottish Building Federation welcomes the opportunity to provide input to the Scottish Government's consultation on its Sustainable Housing Strategy. We have focused our response on those questions of most direct interest and relevance to the SBF and its membership.

In responding to the Strategy, we are keen to highlight the huge importance we place on efforts to improve the energy efficiency of Scotland's existing built environment, offering as it does major opportunities for Scotland's construction industry. In this context and as members of the Existing Homes Alliance, we strongly welcome the Scottish Government's commitment to implement a National Retrofit Programme. At the same time, Ministers should not underestimate the scale of the challenge and the huge increase in resources that will be needed in order for the vision and objectives set out in the Strategy to be achieved.

We believe the 'step change' in behaviour required to deliver the Strategy will require fundamental changes to the way we deal with the ongoing repair, maintenance and improvement of our built environment. Initially in pilot form, we would advocate the introduction of a system of 'Building MOTs' that would require buildings to be regularly inspected to ensure their compliance with minimum safety standards.

With such a system in place, we believe there would then be associated opportunities for the energy efficiency of buildings to be regularly assessed. Buildings with the greatest scope to achieve cost-effective improvements to their energy efficiency rating could then be prioritised for the receipt of energy efficiency grants and associated support.

We have also highlighted the importance of improved information to make consumers aware of those schemes available to support the installation of energy efficiency measures, the associated benefits in terms of reduced energy costs, and how to find a suitably skilled and accredited contractor to carry out the work. There is currently too little awareness of existing industry

accreditation schemes, exposing consumers to the risk of substandard work by unqualified tradespeople.

Our submission also draws attention to the importance of striking an appropriate balance between improved energy efficiency in the existing built environment and the stringency of energy efficiency standards applied to new housing. With new home completions in Scotland at a historic low, the Scottish Government must be very careful not to impose excessively stringent energy efficiency standards that risk stifling recovery in the housebuilding industry.

Finally, we fully support all efforts to foster training and the development of green skills in the construction industry but have highlighted the huge impact the economic downturn has had on jobs, skills and capacity in the Scottish construction sector over the past four years. In this context, we believe there is an urgent need for a targeted strategy to help construction firms retain and recruit more apprentices so as to avoid major price inflation and a substantial skills gap in future years.

Q1. Vision and objectives

The Scottish Building Federation fully supports the vision and objectives set out in sections 19 and 20 of the consultation document but would wish to emphasise the significant resource that will need to be committed towards achieving them.

In particular, we strongly endorse the objective “to 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”. It will be crucially important to involve the construction industry closely in the further development and implementation of the strategy so as to ensure the industry has the necessary capacity and skills to achieve this objective over the short, medium and long term.

Q2/Q3. Main barriers to the installation of energy efficiency measures

1. Funding

The Scottish Government needs to look urgently at ways of making additional funding available to support the vision and objectives set out in the consultation document. Current levels of funding are grossly inadequate compared to the scale of this issue and its level of importance as part of the overall strategy for meeting the objectives of the Climate Change (Scotland) Act.

A previous Scottish Government consultation on the Energy Efficiency Action Plan for Scotland estimated that the cost of improving the energy efficiency of Scotland’s existing housing stock to meet the 2020 target of a 42% reduction in carbon emissions could be as high as £16 billion.

By comparison, the Scottish Government’s 2011 Spending Review outlines a funding commitment of £200 million over a three year period towards its Fuel Poverty and Domestic Energy Efficiency programmes. Even if sustained in future budgets running up to 2020, this level of funding would only provide a 3% contribution to the total cost of meeting the target of a 42% reduction in carbon emissions from Scotland’s existing housing stock by 2020.

Meanwhile, the current VAT rate of 20% on all home repair and maintenance works acts as a significant disincentive to anyone wishing to have work undertaken to improve the energy efficiency of their property.

In fact, this rate of taxation provides a significant competitive advantage to 'cash-in-hand' contractors over legitimate VAT-registered firms. By resorting to the black economy, consumers are exposing themselves to the significant risk of substandard or even unsafe work being undertaken by contractors who are not properly accredited.

The Scottish Building Federation has consistently campaigned for the rate of VAT payable on home maintenance and improvement works to be reduced to 5%. One of the major benefits of such a measure would be to make home energy efficiency improvements significantly more affordable. It would also bolster the construction sector at a time when new housebuilding rates are at a historic low and would help to equip construction workers with the green skills needed to make the transition to a low carbon economy.

We are similarly concerned by recent moves by the European Union to prevent the United Kingdom from charging a reduced rate of VAT on energy saving materials, which risks placing in jeopardy the 'golden rule' set out under the Green Deal that the cost savings from installing energy efficiency measures must outweigh the associated costs. We therefore fully support moves by the UK Government to challenge the EU ruling.

2. A lack of awareness

To maximise its positive impact, any programme aimed at making homes more energy efficient needs to be accompanied by a public information strategy to encourage people to take advantage of those incentives available to help them improve the energy efficiency of their homes. The evidence so far is that consumers are largely unaware of grant schemes currently available to them in this area.

We note with particular concern reports in August 2012 that only 0.04% of Scottish households had so far taken advantage of council tax discounts available to those willing to improve the energy efficiency of their homes through loft and wall insulation since these were introduced in 2009.

We note the planned introduction of the Green Deal in early October but are similarly concerned about a lack of consumer awareness of this programme and a potential lack of interest in making use of it.

We also believe it is extremely important that consumers should be fully aware of the importance of using properly qualified and accredited tradespeople to ensure energy efficiency work is carried out safely and to a suitably high standard. In this context, there is a need for consumers to be made more aware of existing industry accreditation schemes such as the green energy installation certification schemes administered by the Construction Licensing Executive.

Where relevant, the construction industry would be pleased to work with the Scottish Government to help raise public awareness of relevant schemes to ensure maximum take-up of incentives using properly accredited tradespeople.

Q4. Housing diversity

As already stated, getting expert advice from suitably qualified and accredited professionals is vital, particularly when it comes to ensuring that consumers are having energy efficiency measures installed that are appropriate to the type of housing where they live.

Consumers need to be made much more aware of existing certification and accreditation schemes to ensure they access the correct advice and that any energy efficiency measures are properly and safely installed.

Q5. Improving energy efficiency in rural and remote areas

Ensuring local contractors are equipped with the skills and resources to undertake energy efficiency measures will be particularly important in more remote communities. We would therefore advocate a particular focus on ensuring construction businesses operating in these areas are properly supported with skills development and industry accreditation.

Q6. Role of local authorities

Public bodies, notably local authorities, have a clear responsibility to deliver significant improvements in the energy efficiency of the building stock that falls within their jurisdiction. Indeed, through pilot initiatives, local authorities and other public bodies should be in a position to lead by example in this area.

Q7. Role of Scottish Government

Although we have no precise view about the overall balance between public and private funding to deliver the National Retrofit Programme, we note that the current level of funding set aside in the Scottish Government's budget for its home insulation programme represents around 3% of the estimated annual cost of achieving the improvements in energy efficiency in Scotland's existing housing stock to meet the 2020 target under the Climate Change (Scotland) Act.

Substantial additional public resources will need to be committed if the proposed National Retrofit Programme is to have a meaningful impact in improving the energy efficiency of Scotland's built environment.

Q8. Additional powers

We note that as of April 2013, the Scottish Government could potentially acquire new capital borrowing powers under the terms of the Scotland Bill currently being scrutinised at Westminster. If the UK Government continues to block requests for additional direct capital investment we would

urge the Scottish Government to make full use of these powers as soon as possible in order to bolster Scotland's capital budget and stimulate economic recovery. These new powers could also provide new opportunities for increased investment in the proposed National Retrofit Programme.

As already indicated, reducing the rate of VAT payable on home repair and maintenance works to 5% would provide a major stimulus to the construction sector and, by reducing the associated costs by a factor of £15 in every £100, would actively encourage more homeowners to retrofit their homes with measures to improve overall energy efficiency.

We note the Scottish Government's strong support for this policy and would assume that devolving control over VAT would increase the likelihood of it being enacted.

Q10. Maximising benefit to all consumers

To ensure vulnerable consumers benefit fully from a National Retrofit Programme, it will be important to ensure the programme is adequately resourced to keep up-front costs to the consumer to an absolute minimum.

Q11/Q13/Q15/Q16/Q17/Q18. Requirement to improve properties

Local authorities currently have the power under Part 4 of the Building (Scotland) Act 2003 to issue notices to building owners to rectify defects, or have work undertaken directly to remove any danger to the public. The costs associated with this are subsequently recovered from the building owners.

This legislation tends to deal with issues once something has occurred and does not in itself provide a means to address defects or dangerous situations on properties as a preventative measure but rather as a reactive measure.

Giving evidence recently to a Scottish Parliament evidence session on dangerous buildings, the Scottish Building Federation gave its qualified support to the concept of introducing a system of 'building MOT's' whereby, through regular inspection and certification, building owners would be encouraged to implement a planned "building maintenance" regime, thereby reducing the potential for their buildings to deteriorate and become dangerous over time.

Such a system of regular assessment of individual buildings would also provide an opportunity to assess their energy efficiency and propose cost-effective measures to make them more energy efficient.

At the same time, we recognise that the associated costs and administration of such a system might act as a disincentive for property owners to participate. We would therefore advocate an initial trial involving public sector buildings to assess its effectiveness in practice.

We do not think compelling property owners to have energy efficiency measures installed through a work notice would be appropriate, particularly if these are not cost-effective due to the nature and age of the building.

Q12. Hierarchy of needs

In order for consumers to be able to ensure work is done properly, they need to use properly accredited contractors to carry out that work and should be provided with specific information on what to check for to ensure this is the case and how to go about finding properly accredited tradespeople.

Q20. Raising the importance of energy efficiency for property owners and tenants

There is a need for a concerted public information campaign to make consumers aware of those specific programmes and incentives available to help fund home energy efficiency improvements as well as the significant longer term savings to be made in terms of reduced energy costs.

Q21. Minimum energy efficiency standards for private sector housing

Whichever approach is taken to address energy efficiency in the private rented sector, the overriding objective must be to achieve maximum reductions in carbon emissions at the lowest cost. In the first instance, we would advocate additional efforts to raise awareness amongst private homeowners of the incentives available to them if they choose to invest in improving the energy efficiency of their properties and the associated benefits in terms of reduced energy costs.

This should be coupled with information on how to find properly accredited tradespeople to carry out this work.

Q22. Amending EPCs to influence behaviour change to improve energy efficiency

To ensure consumers act upon the advice contained in EPCs, it will be important to make the process of installing energy efficiency measures as smooth and seamless as possible. Consumers require reassurance that any works will not cause undue disruption and that the tradespeople they have selected are suitably skilled and accredited to carry out the work to a high standard. The commitment of additional resources towards energy efficiency will provide a greater incentive to consumers to have the work done, as will any information concerning the potential savings they are likely to make in the longer term in the shape of reduced energy bills.

Q23. Other key principles for possible introduction of regulations

Aside from the principles already set out in the consultation document, sufficient time and resource also needs to be committed towards informing consumers of their obligations and how they can access funding and suitably accredited tradespeople to carry out the work.

Q24. Regulation to support the uptake of incentives

We would support the use of regulation to encourage greater uptake of incentives but only once it can be demonstrated that concerted efforts have been made to raise public awareness about the existence of such incentives and the associated benefits through a concerted information campaign – and that public awareness-raising has failed to improve the uptake of these incentives despite these efforts.

Q25. Design options for an energy efficiency standard in the domestic sector

In designing the standard, careful attention must be made to ensure that any energy efficiency measures to be required through regulation are cost-effective, bearing in mind the wide range of different types and ages of housing in Scotland.

Q28. Impact of regulation on particular groups of people

To ensure they are not adversely affected by regulation in these areas, vulnerable consumers need to be given easy access to energy efficiency incentives and appropriate support – for instance to ensure they appoint a suitably accredited contractor to carry out the work.

Q29. Trigger points for assessing energy efficiency compliance

Please see our answer to earlier questions concerning the potential introduction of a ‘building MOT’ system. The introduction of such a system could also be used to identify those buildings with the greatest capacity to benefit from cost-effective energy efficiency measures and to target incentives and support towards them.

Q30. Phasing of regulations

To ensure maximum impact at the lowest cost, we believe regulations should be phased with a view to targeting first those buildings found to have the greatest capacity to benefit from cost-effective energy efficiency measures – i.e to achieve the greatest improvement in their energy rating at the lowest cost.

Q31. Issues around enforcement

Aside from absolute cost, the cost-effectiveness of enforcement also needs to be considered. We think this can be achieved by targeting properties with the greatest scope for cost-effective energy efficiency improvement as a first priority.

Q33. Timing of regulation

Before making introduction of certain energy savings measures / achieving a certain energy efficiency rating mandatory, we would support the idea of giving homeowners additional lead time to introduce energy saving measures voluntarily with access being offered to government grants to mitigate the associated costs. Consumers also need to be supported with more information about

the incentives available, the associated benefits in terms of reduced energy costs, and how to access a suitably skilled and accredited contractor to carry out the work. In this context, we are generally concerned about the lack of consumer awareness and understanding of the Green Deal, due to enter into force at the beginning of October 2012.

Q34/Q35. Legislative and policy levers to transform the financial market

As indicated in answers to earlier questions, we believe there is a need over time to introduce a system whereby properties are periodically checked to ensure they are being safely maintained, comparable to the existing system of MOTs for cars. This must be viewed as the first step towards a system that would see buildings systematically checked for energy efficiency over time. In the same way that a car with a full service history will attract a premium on the second hand car market, the introduction of a comparable system for buildings would allow the introduction of energy efficiency measures to be formally recognised as adding value to a property by reducing day-to-day running costs.

Q36. Challenges to the recognition of energy efficiency in home values

Aside from the challenges outlined in the consultation document, the market is less likely to recognise good sustainability or energy efficiency in the value of home because of a general lack of awareness or understanding about existing industry accreditation schemes that can provide assurance that energy efficiency works have been carried out to a high standard by suitably skilled and properly accredited contractors.

Q37. Encouraging greater recognition of the value of sustainable homes

As already stated, consumers need to be made more aware of existing industry accreditation schemes, which will give them the confidence that the contractor they have appointed to carry out energy efficiency works will do so to a suitably high standard.

Consumers also require reassurance that most energy efficiency works can be carried out without causing major disruption to their living circumstances over a prolonged period of time.

Q38/Q39/Q40/Q41/Q42/. New build

We would add further weight to the third challenge to the Scottish Government's goal of new build transformation already highlighted in the consultation document, namely the depressed nature of the housing market.

While we have witnessed a welcome rise in new public sector home completions over the past five years, the overall number of completed new homes in Scotland has slumped from 25,741 in 2007 to 15,150 in 2011. Over that period, private sector housing has plummeted by 54% from 21,679 units in 2007 to just 9,893 units last year.

In this context, the Scottish Government needs to be extremely careful that any additional measures introduced to encourage increased sustainability in new build housing do not impose costs that are likely to choke off recovery in the number of new homes completed.

With the number of new homes being built at such historic lows, it is more important than ever to strike an appropriate balance between the drive to improve standards in the new build market and to improve rates of installation of cost-effective energy efficiency measures in existing homes.

We believe a properly resourced and well target National Retrofit Programme will help to ensure a more appropriate balance between these two objectives.

Q43/Q44/Q45/Q46/Q47/Q48. Skills and training / Driving innovation

Alongside the challenges to skills development already identified in the consultation document, we would highlight once again the huge loss of skills and capacity the industry has suffered over the past four years. This reduction has created a potentially significant skills gap which will need to be urgently addressed in order for the construction industry to be able to take advantage of the opportunities associated with the drive for greener homes.

Just as employment within the industry generally has suffered from the economic downturn, so too have apprenticeship numbers in the Scottish construction sector. The number of apprentices registered by the Scottish Building and Apprenticeship Training Council has fallen by 52% from 2,758 in 2007 to 1,325 in 2010.

However, longer term prospects for the industry are good. As outlined by the consultation document, one of the main predicted future growth areas for Scottish construction is energy efficiency and the transition to a low carbon economy.

Short term, the industry urgently needs a targeted and proactive strategy to rebuild capacity and skills and to help construction firms retain and recruit more apprentices. Without this action, the substantial loss of jobs, skills and capacity suffered during the economic downturn risks creating major price inflation and chronic skills shortages in future years which will severely hamper delivery of energy efficiency targets and the drive for greener homes.

Prioritising direct capital investment to get shovels into the ground on more construction sites across the country will help to rebuild that lost capacity and give more construction firms the confidence to retain and recruit more apprentices.