

## Housing, Regeneration and Planning

### Strategy for Sustainable Housing: Analysis of Responses to 'Homes That Don't Cost the Earth' Consultation

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This report summarises the responses to the 14 week consultation on 'Homes that don't cost the earth,' undertaken as a stage in the development of the Sustainable Housing Strategy (SHS). The consultation sought views on measures to promote the energy efficiency of housing from a wide range of stakeholders, including local authority, housing association, private business, and third sector groups as well as individuals.

### Main Findings

- A large majority (80%) of respondents supported the vision and objectives set out in Scotland's Sustainable Housing Strategy for warm, high quality, affordable, low carbon homes. In terms of how this might best be achieved, many respondents advocated established and familiar approaches such as information, incentives, and improvement programmes. There was support for mandatory higher standards, however this was tempered by considerable concern about the practicalities of enforcement.
- Many of the key representative bodies expressed strong support for the National Retrofit Programme (NRP). Several respondents indicated a desire to retain successful elements of recent energy efficiency programmes in the design of the National Retrofit Programme: both a 'universal' area-based programme and a demand-based programme for vulnerable households, perhaps delivered via Energy Saving Scotland advice centres (ESSacs), together with local authority leadership, on a partnership model.
- Some saw additional funding as critical, given that the principal challenges are effective solutions for hard-to-treat homes. Longer-term funding would increase the take up and effectiveness of programmes. Some respondents advocated whole house solutions as representing better value than piecemeal measures.
- There was majority support for consideration of a minimum condition standard beyond the tolerable standard, with slightly less support for a minimum energy efficiency standard for private sector housing. However many responding organisations were concerned about the practicalities of enforcement – who would enforce and their capacity to do so – and, particularly in relation to an energy efficiency standard, the potential impact on the owner occupied sector where conditions applied at the point of sale might depress house sales.
- Rather than mandatory standards, many expressed a preference for incentives such as rebates on council tax and Land and Buildings Transaction Tax (LBTT), allied to promotion of a better appreciation of energy efficiency through information campaigns, improved guidance on technical solutions, and monitoring of the success of improvement programmes.
- The current economic climate and state of the housing market, together with reduced levels of funding in local authorities and RSLs, were seen as important contextual factors, creating concerns about the availability of investment and funding needed to support change and the potential for a damaging impact on the housing market if higher condition and/or energy standards were enforced.
- The current state of the construction industry makes it more difficult to contemplate innovation or speculative investment in upskilling or training. Mortgage valuations reflect consumers' other priorities and still do not reflect energy efficiency improvements. Both RSLs and builders need the security of long term funding programmes to develop cost effective planning and procurement in both new build and retrofit.
- A major theme throughout the responses was the need for improved information and guidance, particularly to raise awareness of benefits, to give confidence in technologies, and also to clarify funding routes and other types of support.

## Background

'Homes Fit for the 21st Century', the Scottish Government's housing strategy for the next decade, included a commitment to develop a sustainable housing strategy for Scotland bringing together policies on climate change, energy efficiency, fuel poverty, planning and the built environment. 'Homes that don't cost the earth' also reflects the commitments of the Energy Efficiency Action Plan under the Climate Change (Scotland) Act 2009, the Low Carbon Economic Strategy, and the Scottish Fuel Poverty Statement. 'Homes that don't cost the earth' sought views on: the vision and objectives set out for the Sustainable Housing Strategy; a National Retrofit Programme; the role of standards; financial market transformation; new build market transformation; and skills and training.

## Methodology

There were 91 non-campaign responses to the consultation, 89 from groups and 2 from individuals. A campaign by WWF Scotland generated 358 responses, of which 21 varied substantially from the standard text and 37 included minor variations. Non-campaign responses were categorised as: the local authority sector; the RSL sector; the private sector; professionals, 'other' groups; and individuals. The consultation questions comprised: closed questions (with a yes/no response); closed questions plus an invitation to comment; and open questions. The closed questions were analysed quantitatively. The main focus of the analysis was qualitative, concerned with understanding the range and nature of respondents' views, reflecting the nature of the consultation exercise. An analytical framework was developed, based on an initial review of responses, which identified the key themes and issues for each question. Not all respondents responded to each question. Response rates were fairly high, for many questions over 60%, with particularly high rates for the sections on the National Retrofit Programme and the role of standards.

## Visions and Objectives for the Sustainable Housing Strategy

Eighty per cent of respondents agreed that the vision and objectives set out in the consultation were appropriate to Scotland's Sustainable Housing Strategy. Respondents expressed a range of views about how that vision of warm, high quality, affordable, low carbon homes might best be achieved. Issues

raised by respondents included fuel poverty, technical aspects of improvements to buildings, such as the need for good repair standards and appropriate ventilation, the scale of investment and funding needed at a time of limited resources and economic difficulties, the potential for adverse impact on the housing market if higher standards were enforced, and concerns about the likely effectiveness of the Green Deal and ECO, particularly for rural homes. (Q1)

## A National Retrofit Programme

Although it was not a consultation question, several representative bodies expressed broad support for the NRP. The consultation asked respondents to describe barriers to home owners and landlords installing energy efficiency measures. They identified many barriers: costs and financing; consumer perceptions and behaviour; the 'hassle' involved in having work done, either as occupant or landlord; inadequate information; questionable benefits of measures or fears of technical problems; the physical nature of the stock; building condition issues; energy supply off the gas grid; work in remote and island locations; the confusing range of improvement offers; the difficulties of improving mixed tenure blocks and common parts of buildings; uncertainties about advisors and contractors; limited incentives for private landlords; and limitations imposed in conservation areas and listed buildings. (Q2)

Solutions were also advocated including: continued support for the ESSacs; financial incentives including council tax and LBTT rebates; grant support for vulnerable households; area-based improvement programmes; promotional campaigns; demonstration projects; clear information about benefits and a simpler offer and organisational structure for the consumer. Some questioned the viability of the Green Deal and ECO, including calls for a simpler funding model for Scottish retrofit. There were particular concerns about traditional buildings and calls for guidance on hard-to-treat house types. Respondents suggested a range of measures for traditional construction types and the need for comprehensive advice to ensure that improvements would deliver energy savings, such as ensuring adequate insulation before installing an air source heat pump. (Qs 3-4)

The key issues for improving energy efficiency in rural, remote or island areas were: higher costs due to difficulties of access, low density and the associated unwillingness of companies to work in

such areas; high energy costs for areas off the gas grid; the high proportion of hard-to-treat properties, and the expense of solutions. Additional funding was advocated, while some also saw potential in local renewable energy generation. (Q5)

Almost all the local authority group advocated a central role for local authorities in managing energy efficiency improvements across tenures. Some advocated regional partnerships, and a facilitating rather than delivery role. The Scottish Government was seen to have the role of maximising resources, setting standards, designing the programme, managing information and tracking progress. It was not possible to draw conclusions about the reaction to the Homes for Scotland proposal for a fund for the improvement of existing homes in lieu of higher new-build standards, because not many respondents commented on it. Relatively few respondents commented on the potential role of devolution of additional powers; those who did identified tax powers and control of budgets as most supportive of retrofit. Other suggestions were to opt out of the Green Deal and introduce a replacement for the Social Fund with measures to tackle fuel poverty. Achieving the scale of change required for existing homes would require improved information, stable and long term programmes of incentives and grants, and some degree of compulsion. (Qs 6-9)

Partnerships with trusted intermediaries to promote and deliver the Programme and effective communications were seen as key to ensuring that a National Retrofit Programme would maximise benefits to all consumers, including the most vulnerable. Energy Saving Scotland advice centres could host advisers, the local authority Care & Repair model could be expanded to cover the Green Deal, and energy advice could be offered to single property private sector landlords. Access to independent surveyors, approved contractors, and handholding could allay the fears of vulnerable consumers. Clear communications are important and should include a public engagement campaign at community level, vulnerable people should be prioritised within area-based schemes, and help should be extended to disabled people who are not eligible for Care and Repair. (Q10)

## The Role of Standards

There was majority support (77%) for the Scottish Government to give consideration to a mandatory condition standard, beyond the tolerable standard, but most respondents, particularly local authorities, were also concerned about the practicalities of

enforcement, given the current difficulties faced by local authorities both in identifying properties where the tolerable standard and repairing standard is not being met, and dealing with pressures on budgets. There was concern about the possible impact on the supply of private rented housing, which could further increase the demand for social housing. Enforcement in the owner occupied sector was also likely to be problematic. However, there was support for use of incentives rather than controls at the point of sale, particularly a Land and Building Transaction Tax rebate which was advocated both in relation to a higher condition standard as well as an energy efficiency standard. (Q11)

There was general support for the principle of a checklist for maintaining a quality home, with suggestions as to drafting and content, and some uncertainty about how the checklist was to be used. (Q12)

A majority (62%) supported the introduction of a local authority power to require owners to improve their properties, which had been suggested to support the achievement of the Scottish Housing Quality Standard (SHQS) and energy efficiency measures in mixed tenure situations. There was cautious support from many, particularly RSLs, but objections from many local authorities, particularly about recovery of costs, available resources, and practicalities of enforcement. There was also concern about burdening low-income homeowners who may not be able to afford routine maintenance let alone improvements. (Q13)

There was strong support (73%) for a local authority power to enforce decisions taken by owners in multi-household blocks, albeit with concern about recovery of costs, and also for the optional power to issue maintenance orders on any property which has had a work notice (81%). There was also very strong support (87%) for streamlining the process for using maintenance orders, particularly amongst local authorities, and support (75%) for powers to issue work notices relating to amenity, safety, and security outwith Housing Renewal areas, but it was thought they would be little used, given local authorities' lack of resources. There was strong support (82%) for powers to issue repayment charges for work on commercial properties that would enable work to be undertaken in mixed-use premises, despite concerns that owners of unoccupied commercial premises often could not be traced. (Qs 14-18)

Given the recent introduction of the Property Factors (Scotland) Act 2011, it was not thought necessary to make it easier to dismiss and replace property factors. The absence of factoring was seen as a

more significant issue for maintenance, repair, and improvements. (Q19)

Respondents suggested ways to raise the priority given by owners and tenants to energy efficiency, including the provision of information about the running costs of existing homes, an energy efficiency awareness raising campaign, and incentives to improve energy efficiency or to purchase new low energy or low carbon homes, in particular discounted council tax (most frequently mentioned) and rebates of the forthcoming Land and Buildings Transaction Tax. (Q20)

Opinion was divided about the introduction of minimum energy efficiency standards for private sector housing, although supported by more than half (57%) of those who responded: many respondents expressed concerns about the potential impact on the housing market, about the practicalities of enforcement and the potential impact on hard-to-treat and rural properties. (Q21)

Just over half suggested improvements to EPCs, particularly the inclusion of likely running costs. Some suggested ways to raise the profile of EPCs. There was also some general criticism of EPCs and RdSAP. It would appear however that most of the issues raised have been dealt with in the recent amendments to the energy performance of buildings regulations. (Qs 22-24)

The option of using energy efficiency ratings as the basis for the standard attracted most support, because it offered consistency with the format of standard proposed for the Energy Efficiency Standard for Social Housing, and thus for the application of the same standards across the social and private sectors. However, there was concern about higher costs of achieving the standard in rural areas and, more generally, the potential impact on housing costs without recognised increased value. (Qs 25-28)

The trigger points most often suggested in addition to point of sale or rental were applications for building warrant or major building work, landlord registration, HMO licence application, and re-issue of EPCs. However a quarter of respondents thought that requirements should only be triggered at points of sale or rental, or disagreed with regulation. A majority of respondents (65%) supported sanctions on owners, but with many comments urging caution about the impact on the market and enforcement issues. A minority (46%) supported the sanction of obligation being passed on to buyers. Although 2015 was the date most often suggested for the timing of regulation, many more commended a cautious approach, taking account of progress with

programmes soon to be introduced and the current economic climate. (Qs 29-33)

## Financial Market Transformation

This section of the consultation explored the ability of the market to reflect and value energy efficiency. Respondents – including the mortgage lenders – pointed out that valuations reflected consumer priorities and that consumers gave little consideration to energy efficiency when deciding on a house purchase. However, others argued that better information about the cost benefits of improving energy efficiency and improved training for professionals could influence valuations. With regard to levers to support the achievement of the strategy, there was wide-ranging support for the variation of council tax and Land Transaction Tax to reward energy efficiency, but there were concerns about the Green Deal and doubts about equity release products. (Qs 34-37)

## New Build Market Transformation

This section contained questions on creating sustainable neighbourhoods, bringing to market innovative construction measures and enabling the Affordable Housing Supply Programme (AHSP) to champion greener construction methods. Encouraging sustainable neighbourhoods could be supported by the use of specialist multi-disciplinary teams and project managers, appropriate locations, on site renewable energy generation including microgeneration, excellent public transport linkages to avoid dependence on the private car, access to amenities, and long term management. Planning guidance and building standards were seen as having an important role.

Respondents identified issues around the true costs of more sustainable homes, the need to support research and development, the threat to achieving climate change targets of any deferment of higher building standards, and the risk that poor workmanship would undermine the achievement of sustainability, because new build or retrofit projects do not perform as designed. Bringing to market innovative methods of construction would require life cycle analysis, and the sharing of knowledge about projects completed in the UK and overseas. Some advocated incentives to use modern methods of construction; and regulatory standards. Increased funding and longer term programming would be needed if the AHSP was to champion greener construction and technologies, particularly in areas off the gas grid. Regulation was seen as key to influencing the construction industry to make greater use of innovative methods and build greener homes - few felt that the market would do

this on its own. There were calls for a centre of excellence to work with industry in Scotland, whilst the Council for Mortgage Lenders advised on the needs for recognised standards and warranties to give confidence to lenders about suitability for mortgage finance. (Qs 38-42)

## Skills and Training

Less than half the respondents answered the section on skills and training, but these included relevant industry bodies, including CITB-ConstructionSkills and trade associations. Many commented on the impact of the recession, loss of skills and capacity, and the need for investment to create demand and rebuild the skill base. There are already skills and capacity issues for many of the newer green technologies. Firms need to understand which retrofit solutions will be accepted by Green Deal providers in order to know which products and systems to be trained in. Skills development should include customer service and project planning, as well as trade skills. There was considerable concern about the risk of reduced capacity in colleges, compounded by the regionalisation agenda in the post-16 review of vocational education. The greatest challenge for both retrofit and new build is to re-skill and up-skill existing workers, from design through to build, in

addition to support for new entrants through the Modern Apprenticeship programme. Flexibility of funding is required to support construction employers to re-train and re-skill existing workers. (Qs 43, 44)

Several commented that industry was fully aware of training opportunities but because of market pressures which threaten the survival of businesses in the industry, staff were not being offered the time they need away from revenue earning work to take up learning opportunities. (Q45)

Some respondents commented on the culture change required to widen participation in the industry. Others pointed to the adoption of Community Benefits in Public Procurement principles and initiatives led by local authorities with private and voluntary sector partners to increase the number of jobs, education, or training opportunities available to young people and equalities groups. (Qs 46, 47)

A minority commented on the challenges to skills and training in remote and island areas. They proposed measures to boost access to training and secure employment – stimulating consumer demand to create predictable workloads, contracting local businesses, and different training modes including distance learning which would rely on suitable broadband access. Subsidy could allow rural learners to attend college for intensive training packages. (Q48)

This document, along with the full research report of the project and further information about social and policy research commissioned and published on behalf of the Scottish Government, can be viewed on the Social Research website at: [www.scotland.gov.uk/socialresearch](http://www.scotland.gov.uk/socialresearch). If you have any further queries about social research, please contact us at [socialresearch@scotland.gsi.gov.uk](mailto:socialresearch@scotland.gsi.gov.uk) or telephone 0131 244 2111.

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