

REPORT TO: HOUSING COMMITTEE - 10TH SEPTEMBER 2012

REPORT ON: CONSULTATION ON DEVELOPING AN ENERGY EFFICIENCY STANDARD FOR SOCIAL HOUSING

REPORT BY: DIRECTOR OF HOUSING

REPORT NO: 339-2012

1. PURPOSE OF REPORT

- 1.1. The Report contains the Council's response to the Scottish Government's consultation on Developing an Energy Efficiency Standard for Social Housing.

2. RECOMMENDATIONS

- 2.1. Committee is requested to approve the response to the consultation, set out at Appendix 1, for submission to the Scottish Government.

3. FINANCIAL IMPLICATIONS

- 3.1. None.

4. MAIN TEXT

- 4.1. Social landlords recognise the need to invest in their housing stock and must ensure that their housing stock meets the Scottish Housing Quality Standard (SHQS) by 2015. Dundee City Council has met the target of 55.7% compliance by 2011/12 and is therefore on target to deliver the SHQS by 2015. Within the SHQS social landlords must ensure that houses are energy efficient, this includes: 100mm loft insulation; cavity wall insulation or equivalent; hot and cold water tank insulation; full, efficient central heating and any other energy efficiency measures that will bring the property up to a minimum energy efficiency rating subject to feasibility and cost.

4.2. Energy Efficiency Standard for Social Housing (EESH)

- 4.2.1. The Energy Efficiency standard aims to improve the energy efficiency of social housing still further and thereby help to reduce energy consumption, fuel poverty and the emission of greenhouse gases. By meeting the energy efficiency standard tenants will live in warmer homes with the potential to manage their energy consumption more efficiently, giving them the scope to reduce their fuel bills. It will also make a significant contribution towards meeting climate change and energy efficiency targets. The Climate Change (Scotland) Act 2009 requires the Scottish Government to set out how Scotland will meet targets to reduce carbon emissions from 1990 levels across all sectors by 42% by 2020 and 80% by 2050.
- 4.2.2. The consultation states that meeting the SHQS in 2015 will be a significant contribution to meeting Climate Change and fuel poverty targets but more still needs to be done for three main reasons.

- 4.2.3. The building fabric is better than it was in 1990 but this has not necessarily reduced emissions. The National Atmospheric Emissions Inventory (NAEI) suggests that between 1990 and 2008 emissions only fell by 11%. Figures for domestic energy consumption in 2010 suggest that emissions for that year may actually be similar to 1990 levels, despite more and more homes meeting the SHQS.
- 4.2.4. Some landlords have already applied for exemptions from the SHQS for their properties. Landlords are not required to specify the reason for the exemption, but it is reasonable to assume that at least some of the requests are due to a difficulty in meeting the energy efficiency element of the SHQS. The more homes that don't meet the SHQS means that the total reduction in greenhouse gas emissions will be reduced and fewer tenants will have warmer, more energy efficient homes. The new standard proposes to remove the need for exemptions by ensuring that all stock makes a proportional contribution to the target.
- 4.2.5. The high incidence of low income households in the social housing sector means that continuing to increase energy efficiency standards can also contribute to the alleviation of fuel poverty.
- 4.2.6. Social landlords are well placed to act as pioneers because of their ability to plan and manage improvement programmes. Social landlords also have a duty, as part of the Scottish Secure Tenancy agreement to ensure their properties are "wind and watertight, habitable and in all other respects reasonably fit for human habitation" and local authorities have the duty to reduce and eradicate fuel poverty.
- 4.2.7. The aim of the proposed standard is to improve the energy efficiency of, and minimise carbon emissions from, existing social rented housing. This is important both to help landlords provide warmer, more energy efficient homes for their tenants, and to contribute to the Climate Change targets of 2020 and 2050.
- 4.2.8. It is proposed that the EESSH includes a duty on social landlords to encourage tenants to reduce their energy consumption.
- 4.3. EESSH Measures and Standards
- 4.3.1. It is proposed that the EESSH will be based on one or both of the Energy Efficiency (also known as the Standard Assessment Procedure - SAP rating) and Environmental Impact (EI) ratings which are produced as part of Energy Performance Certificates (EPC).
- 4.3.2. The proposed energy efficiency standard will establish minimum EPC ratings which every social rented dwellings must meet by 2020. The standard will be different for different dwelling types. It is proposed that a minimum Environmental Impact Rating (EI) would be established for broad categories of similar house types based on the modelling. For example, a top floor flat on the gas grid would be expected to achieve a rating of "X", whereas a mid-terraced house heated by electricity would be expected to achieve a rating of "Y". For example a top floor flat heated by gas would require an EI rating of 70 and an EPC rating of 75 and a top floor flat heated by electricity would require an EI rating of 60 and an EPC rating of 65.
- 4.4. Funding the EESSH
- 4.4.1. The Scottish Government will help landlords to minimise the financial implications of any new energy efficiency standard. The Government recognises that the financial capacity of both local authorities and RSLs is limited by existing commitments to

build new housing and/or meet the SHQS, and other priorities identified in investment plans. It is recognised that there are potential tensions between improving existing stock and increasing stock through building new homes. Equally, tenants are facing financial pressures, whether this is due to the ongoing economic downturn or other factors such as the forthcoming welfare reforms.

- 4.4.2. The costs will be variable depending on the dwelling, the location and the economies of scale that landlords can achieve by buying measures at scale. The Scottish Government has made funding streams available to assist with energy efficiency measures and is currently reviewing a number of funding programmes such as the Energy Assistance Package, Universal Home Insulation Scheme (UHS) and the Boiler Scrappage programme. The Scottish Government is also developing the Warm Homes Fund around District Heating Loans Scheme and Community Renewable Energy Schemes.
- 4.4.3. The UK Government's Energy Act 2011 introduced 2 new schemes which should help improve domestic energy efficiency; the Energy Company Obligation (ECO) and the Green Deal (GD) finance scheme. The ECO will replace the current Carbon Emissions Reduction Target (CERT) and Community Energy Saving Programme (CESP) which are due to end in 2012. Both schemes are expected to be implemented in late 2012, the intention being to provide a smooth transition from CERT and CESP to the new schemes.
- 4.4.4. The Department of Energy and Climate Change (DECC) has stated that ECO will now target support, worth an estimated £540m every year, to fund energy saving improvements in the worst off households. The Carbon Saving Communities obligation has been developed following DECC's consultation. This will provide support to households in low income areas, including for loft and cavity wall insulation and is expected to be of significant benefit to social landlords. It is for energy companies to determine where this investment takes place in order to meet their targets, so there is no guarantee of a specific level of investment in Scotland. However, the Scottish Government is keen to maximise leverage of ECO funding into Scotland as part of its National Retrofit Programme and enable energy companies to discharge their obligations in Scotland.
- 4.4.5. The Council's response to consideration of the issues and the questions within the consultation are set out in the consultation response contained in Appendix 1.

5. **POLICY IMPLICATIONS**

- 5.1. This Report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.
- 5.2. There are no major issues.

6. **CONSULTATIONS**

- 6.1. The Chief Executive, Director of Corporate Services and Head of Democratic and Legal Services and all other Chief Officers have been consulted on the preparation of this report. No concerns were expressed.

7. BACKGROUND PAPERS

7.1. None.

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August 2012

DUNDEE CITY COUNCIL RESPONSE ENERGY EFFICIENCY IN SOCIAL HOUSING

CONSULTATION QUESTIONS

Question 1: Do you have experience, or know of, social landlords acting as ‘pioneers’ in addressing energy efficiency?

Yes

Question 1(a): If ‘yes’, please provide details, including any web links/contact details you may have.

Dundee City Council is working in partnership with energy suppliers to harness CESP funded schemes to increase thermal insulation values in eight multi storey blocks at Dallfield and Lochee and provide district heating plants to enhance energy efficiency and address fuel poverty.

The Council has recently completed 69 new build houses constructed to high insulation standards (NHER B ratings) to ensure that the homes require minimal heating to address fuel poverty.

Dundee City Council has found that one of the most effective ways of addressing fuel poverty is by providing face to face advice to households on heating, energy use, maximising benefit and working in partnership with a preferred fuel supplier to ensure that individual needs are met. This personalised advice provided by Dundee Energy Advice Project ensures that tenants use the heating, energy and alternative sources of energy within their homes such as micro generation in the best way. DEEAP also works with schools to ensure a generational shift by raising awareness on climate change and energy usage. As highlighted in the consultation document, focusing on the fabric of the building alone will not automatically reduce fuel bills or carbon emissions. Occupants in houses do not necessarily act in the most energy efficient manner.

We note that the consultation proposes imposing a duty on social landlords to encourage tenants to reduce their energy consumption, DEEAP is ideally the type of service to fulfil such a duty if it were to be imposed. The imposition of any duty must be matched by appropriate resourcing.

Question 2: For landlords, what is the greatest cause of SHQS abeyances in your stock? Is there anything that the Scottish Government could do to assist in reducing abeyances?

55.7% of Dundee City Council's housing stock meets SHQS at April 2012, 77% of the stock complies with energy efficiency standards. Lack of agreement from owners in mixed blocks to controlled entry installation has caused some difficulty in meeting the healthy, safe and secure criterion. Dundee City Council has introduced a Tenement Management Scheme which enables the Council to install systems on the basis of a majority vote within individual common stairs. The definition of improvement/repair should be rebalanced to allow landlords to carry out work

without fear of veto from private owners/landlords.

Question 3: What has been your experience in improving properties in mixed tenure estates?

See Q 2 above. Our title deeds give power of majority for repairs but not improvements. We make use of the Scheme of Assistance to offer financial assistance to owners where possible. As outlined under question 2 for improvements we are implementing the Tenement Management Scheme for controlled entry utilising ballots and taking a simple majority. It takes considerable resources to coordinate repair and improvement schemes, the cost of which falls disproportionately on the HRA.

Question 3(a): If you have developed solutions to work with owners and/or private sector tenants, please provide details.

The Council has worked with the Scottish Government to attract UHIS funding to promote the insulation of private sector and mixed tenure properties to improve energy efficiency within the private sector in the City. The Private Sector House Condition survey completed in 2010 shows that 27,069 dwellings in the private sector are non compliant with the SHQS energy ratings requirements.

We have an Owners' Charter and work with a city wide ex council house owner's association to discuss issues of repairs and improvements to mutually owned buildings.

Our Dundee Energy Efficiency and Advice Project provides information and advice across the city irrespective of tenure.

Question 4: The Energy Efficiency Standard for Social Housing will directly affect a diverse group of social sector tenants who have individual needs and experiences. In your view, is improving the energy efficiency of social rented housing a priority for tenants?

Yes

Energy efficiency can lead to reduced fuel bills. At 26% Fuel Poverty levels in Dundee are higher than Glasgow (25%), Edinburgh (23%) and Aberdeen (23%).

Question 4(a): If 'yes', are the suggested 'potential benefits' broadly the right ones? Are there any others you would suggest?

Yes, as headline benefits. There are also other wider benefits such as improvements in health of individuals if homes are not cold and damp and easier to keep warm (particularly for older people) and alleviating fuel poverty. It can assist in improving social inclusion if families are not spending a disproportionate amount of their income on heating their home.

Question 4(b): If no, why is this? How would you suggest we increase tenant awareness of the importance of energy efficiency?

As highlighted the importance of providing quality energy efficiency advice cannot be underestimated. However providing quality holistic advice services through organisations such as DEEAP in Dundee has associated costs. Any imposition of a duty must be backed by realistic funding arrangements.

Question 5: Do you consider any particular equality groups will be at significant risk as a result of this new policy? If so, please outline what measures you consider appropriate to minimise risk.

Undue financial burden risk - for example, older people living in large, hard to treat houses. People in some house types will be disadvantaged if the standard to reach is lower than for other houses. Some minority ethnic groups are over represented in the private rented sector where standards are usually lower and may be fuel poor. Frequently disabled households face higher heating bills in order to keep warm and such homes should provide high energy efficiency standards.

Question 6: Do you think the implementation of the Standard will cause an undue financial burden on any particular equality group? If so, we would welcome your views on what action could be taken to minimise that burden.

Yes, see above. Apply standard across all house types or increased access to grant funding and / or heating allowances for those living in hard to treat properties.

Question 7: What else would you suggest to help tenants better manage their energy consumption?

Smart meters which enable occupants to monitor energy use on a regular basis. Face to face dedicated energy advice projects such as DEEAP (delivered in the home). Core funding is required to sustain existing and develop new such projects. For example with Wider Role funding ending, RSLs no longer support a dedicated energy advice service to their tenants.

Question 8: Do you think that example case studies will be helpful or unhelpful in taking forward the Standard?

Helpful

Case studies on non traditional, hard to treat houses, should be brought forward as soon as possible.

If you think they are helpful:

Question 8 (a): Are these the right range of dwelling types to be represented as case studies? Yes No

See above

Question 8 (b): Are there any other types (including hard to treat) that you would like to be included as a case study? Yes

Question 8 (c): If yes please state type and say why you think they should be included?

How to upgrade properties that fail. Examples of non traditional houses would be particularly helpful in Dundee as a large percentage of our stock is non traditional and it is noted these are being developed. Standards should not lead to perverse outcomes such as lowering of SAP ratings in passivhaus standard dwellings where heating is introduced.

Question 9: What are your views on using the SAP/RdSAP methodology for regulating energy performance in the social rented sector?

Already in use for EPCs so it would not be helpful to introduce completely new methodology.

Question 10: Do the 'Baseline: 1990 Measures' accurately reflect the energy efficiency performance of dwellings at that time?

No

If not, please provide details.

The case studies at 1990 assume full central heating has been installed, which in the case of Dundee, does not represent the actual situation. However, the council has made significant progress since the mid 1990s in installing gas central heating which has contributed to improving thermal efficiency of dwellings, addressing fuel poverty and reducing carbon levels.

Question 11: Are the suggested improvements in the 'Further Measures' and 'Advanced Measures' columns of the case studies realistic and feasible?

No

Internal insulation disruptive and expensive. Floor insulation expensive - less so with deep solum but otherwise need to take whole floor up. Electric storage heating (as further measure) will keep tenants in fuel poverty in our experience. Given all our properties can potentially get gas heating these improvements are not necessarily relevant as we would install gas heating.

Time and temperature zones have been piloted and were not a success as difficult for people to understand and make best use of them (even with face to face advice). Installing solar PVs is a risk for local authorities in terms of additional prudential borrowing, feed in tariff and maintenance costs.

Question 11 (a): Please provide further explanation of any measures that you think should not be included within the modelled case studies.

None.

Question 11 (b): Please provide further explanation of any measures not currently included in the case study modelling that you would like to see included?

External insulation particularly for non traditional housing, including multi storey developments, although at present this is only being done in Dundee through CESP funding.

Question 12: Taking into account the factors outlined in paragraphs 6.5 and 6.6 of the consultation document, do you agree that establishing a minimum Environmental Impact rating for the main dwelling types is the most practicable format for the standard?

Yes

If not, please explain why.

Additional comment - Establishing minimum environmental impact ratings for broad categories of houses, subject to further definition of these categories. The environmental impact rating ties the efforts being made through energy efficiency standards to the climate change agenda.

Question 13: If you think that the standard should be a minimum Environmental Impact rating, do you think that there should also be a safeguard that the dwelling's *current* Energy Efficiency rating should not reduce?

Yes

The standard should be the same as that required for SHQS compliance.

Question 14: In assessing your stock against the proposal for a new standard for social housing, do you foresee any significant challenges in obtaining individual property details across your stock?

No

If yes, please explain why.

This would require further development of internal databases since SHQS compliance is modelled on NHER ratings.

Question 15: Do you think that the ratings at paragraph 6.7 of the consultation document are suitably challenging?

If not, please give explanations why not and suggest more suitable ratings.

Yes

Very challenging and a huge increase in SAP ratings for flats in particular e.g. mid floor flat heated by gas needs to be SAP 60 for SHQS but 80 for the new standard and significantly higher in 5 of the 8 property types listed for gas heating. For electric heating the new standard is significantly higher in 7 of the 8 property types listed. The cost of measures to meet this increase could be disproportionate and will need agreement from owners in mixed tenure blocks. In addition there are no ratings given as yet for non traditional stock.

Question 16: Do you think the suggested energy efficiency rating for electrically heated detached homes and bungalows undermines the SHQS? Please explain your choice.

Yes

It is appreciated that there are few properties of this type in Dundee, however occupants could potentially still be in fuel poverty.

Question 17: What are your views on whether all social rented dwellings should be heated by gas, electricity or renewable heat sources by 2030?

This seems reasonable at this stage, providing the Scottish Government can ensure continuity of gas supply at a reasonable cost, gas is still the fuel of choice in urban areas and is less CO2 intensive than electric heating. However gas prices are likely to continue to increase and security of supply may be an issue in the future. In Scotland concentrating on electricity generation by renewables is likely to mean that electric heating may reduce carbon emissions at lower cost than gas and would provide security of supply.

Question 18: Do you think that either of the options set aside ('Establish a set of measures that all homes would be required to meet' OR 'Set a minimum percentage reduction in emissions for each of the different dwelling types') should be reconsidered?

No

If yes, please explain which option you prefer and why.

Question 19: Do you agree that the standard should apply to all individual homes and not be aggregated across a landlord's stock? Is this practicable?

Yes. Otherwise an average would mean some people would continue to live in fuel poverty.

Question 20: Paragraph 6.14 in the consultation document suggests a way of dealing with those more unusual properties that are harder or more expensive to treat. The approach is to use the 1990 base assumptions to record a baseline for each individual dwelling and then to calculate a set percentage reduction to identify a required improvement. Do you agree that this approach to **unusual dwellings could offer a reasonable way forward for applying a standard to these dwellings?**

No

In our experience non traditional houses require substantial investment to meet energy efficiency standards and to ensure tenants are not in fuel poverty. Non traditional housing requires bespoke solutions, which tend to be expensive and pose difficulties for landlords in terms of disproportionate cost, perhaps some funding solutions may become available through Green Deal / ECO.

Question 20(a): Do you agree that the percentage reduction for **unusual dwellings should correspond to Climate Change targets and be set at 42%?**

Yes

If not, at what level do you think the reduction for unusual dwelling should be set that will be achievable but provide a meaningful contribution to the improved energy efficiency of social rented housing?

Question 21: Do you think that there should be exceptions to the proposed energy efficiency standard? If so, how should they be treated?

Yes

We will need to continue to claim abeyances where owners do not agree to common improvement works. There will also be some properties (eg top and ground floor of multi storey flats) where any level of measures will not have the desired effect.

Question 22: Are there any other relevant sources of funding that can help social landlords improve the energy efficiency of their stock?

Needs to be sufficient funding in existing schemes to meet demands of all social landlords trying to meet the standard. Access needs to be simplified.

Question 23: Given the range of financial assistance available to landlords, do you agree that the standard can be achieved without disproportionate cost? If not, please explain why.

No

It is not possible to provide definitive answers at this stage. Depends on levels of grant funding and how Green Deal / ECO turns out in practice. Certain landlords (such as Dundee City Council) have high levels of prudential borrowing due to local circumstances and the level of borrowing which is required to finance SHQS, should insufficient grant funding be available then there is little head room for any additional prudential borrowing. Although additional rent increases could be considered (with tenants benefiting from reduced fuel bills) this would be complex to administer and scope may be limited by welfare reforms. Some properties can only reach the standard with disproportionate cost. Core funding for face-to-face energy advice projects is an essential part of this process.

Question 24: We see an opportunity to advance gender equality in the creation of jobs to undertake the retrofitting works in industries that have traditionally been male-dominated. Your views on how we can maximise gender equality in job creation would be welcome.

By use of modern apprentice scheme and conditions of contract, taking on more women.

Question 25: Are there any other data sources you could suggest to monitor the proposed energy efficiency standard?

No.

Question 26: Would you welcome the Scottish Housing Regulator (SHR) monitoring the proposed standard both in the interim period and longer-term or would you prefer an alternative body to carry out this role? If so, who and how?

Yes

If not through self certification then the SHR monitors compliance with SHQS and it would seem appropriate that they continue the monitoring role.

Question 27: Are there any other costs associated with monitoring landlords' progress towards the energy efficiency standard?

Yes

Staffing, database and IT resources.

Question 28: Should there be regular milestones to measure progress towards 2050? If so, what dates would you suggest?

Yes

Regular milestones to measure progress to achievement of the target seem sensible with these being 2020, 2030, 2040 and 2050.

Question 29: Do you agree that setting the longer-term milestones should be deferred until progress towards 2020 can be reviewed?

Yes

Question 30: Do you consider there to be any further opportunities within the Energy Efficiency Standard for Social Housing to promote equality issues. If so, please outline what action you would like us to take.

Fuel poverty impacts more on women (single parents) and older people, so more resources would result in payback in real terms.