

**REPORT TO: HOUSING COMMITTEE - 10TH SEPTEMBER 2012**  
**REPORT ON: CONSULTATION ON HOMES THAT DON'T COST THE EARTH**  
**REPORT BY: DIRECTOR OF HOUSING**  
**REPORT NO: 340-2012**

**1. PURPOSE OF REPORT**

- 1.1. The Report contains the Council's response to the Scottish Government's consultation on Homes that Don't Cost the Earth.

**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. Homes that Don't Cost the Earth is the Scottish Government's consultation on Scotland's Sustainable Housing Strategy. The strategy will set out the vision for warm, high quality, affordable, low carbon homes and a housing sector that helps to establish a successful low carbon economy across Scotland. The strategy's objectives are 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; 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.

4.2. The Need for a Sustainable Housing Strategy

- 4.2.1. The Climate Change (Scotland) Act 2009 sets targets for Scotland to reduce its greenhouse gas emissions – 42 % by 2020 and 80% by 2050, compared to the 1990 'baseline' year. Section 60 of the Act requires Ministers to publish a plan for promoting and improving energy efficiency and to set targets for improvement. Scottish Ministers have a commitment to 'to ensure, so far as reasonably practicable, that people are not living in fuel poverty by 2016' (Scottish Fuel Poverty Statement, 2002).

4.2.2. Housing and activities within the home account for more than a quarter of Scotland's carbon emissions and nearly a third of its energy use. In 2009, according to the Department for Energy and Climate Change, nearly two-thirds of all energy used in homes was used for space heating and a further 18 per cent of energy was used for water heating. Action is required now to make sure homes are energy efficient, and designed or adapted, so that living in a sustainable way becomes the norm in the years ahead.

#### 4.3. Main Themes of the Strategy

4.3.1. The main themes are:

- A national retrofit programme to tackle fuel poverty, ensuring climate change milestones set for housing are met and enable Scottish households and businesses to get maximum benefit from energy company and other investment.
- Standards - to consider the role that regulation could play, alongside incentives, in driving uptake of energy efficiency measures.
- Financial market transformation to create long-term change in perception among surveyors, lenders and consumers of the real value of low carbon, energy efficient homes - in order to drive the market.
- New build market transformation to maximise the potential of the innovative design and construction techniques being developed by Scottish companies to create greener homes and neighbourhoods, which will in turn create export and other economic opportunities.
- Skills and training to capitalise on opportunities to make Scotland a market-leader in providing and exporting low-carbon housing solutions.

#### 4.4. Addressing the Challenges

4.4.1. Over 85% of current housing in Scotland is expected to be in occupation in 2050. The Scottish Government through a National Retrofit Programme aims to ensure that every home will have minimum 100mm loft insulation and cavity wall insulation where practicable by 2020. Every home will be heated with highly efficient gas central heating boilers where possible with 1,000,000 boiler replacements from 2008-2020. At least 100,000 homes will have adopted individual or community renewable energy measures. Microgeneration and district heating schemes will have an important role in retrofitting Scotland's homes.

4.4.2. The Scottish Government has worked with the UK Government as they have developed proposals for a new Energy Company Obligation (ECO) and Green Deal, to be in place at the energy efficiency of housing and other buildings. The ECO will replace the existing energy company obligations, the Carbon Emission Reduction Target (CERT) and Community Energy Saving Programme (CESP).

4.4.3. The Green Deal is a completely new finance mechanism funded by private capital. It will enable households to have energy efficiency improvements installed at no upfront capital cost and to pay for them, over a period of years, through a charge on their energy bill. At the heart of this arrangement is the 'golden rule': that the estimated savings on bills should equal or exceed the cost of the work.

- 4.4.4. The ECO will work alongside the Green Deal. It will involve three obligations for energy companies, relating to Affordable Warmth, Carbon Saving and an area based Carbon Saving Communities obligation supporting a range of measures in low income areas. The UK Government hopes to drive the market in solid wall insulation through the carbon saving target while the affordable warmth obligation will be directed towards vulnerable low-income households in the private sector with entitlement to defined benefits.
- 4.4.5. The Scottish Government proposes to draw together a range of stakeholders to form a working group that will consider whether it might be appropriate to introduce minimum energy efficiency standards for private sector housing. Any regulation will fit with incentives and the timing of any regulations should be appropriate.
- 4.4.6. Ensuring that the market fully reflects the benefits of greener housing is vital in encouraging households to take-up the measures needed to achieve emission reduction and fuel poverty goals.
- 4.4.7. 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, 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 TO HOMES THAT DON'T COST THE EARTH**

### CONSULTATION QUESTIONS

1. Are the vision and objectives as set out in sections 19 and 20 appropriate for Scotland's Sustainable Housing Strategy? Please answer Yes or No and provide fuller explanation if you wish.

Yes

2. What do you think are the main barriers that prevent home owners and landlords from installing energy efficiency measures?

Cost; complexity of getting information/funding; no incentive for private landlords (if they can get rental income without providing measures); not being on gas network; people not being convinced of the benefits; not considered mainstream by developers/contractors; VAT at 20%

3. Please explain any practical solutions and/or incentives to overcome any barriers you have identified.

Assistance to owners in meeting costs of energy efficiency measures (ECO/Green Deal or Private Sector Housing Grant assistance). Link measures to Private Landlord accreditation; make "cost to run" information a requirement in addition to rental cost (for all landlords including social rented sector); major Government promotional schemes to increase awareness of the solutions and benefits as well as local advice projects such as Dundee Energy Advice Project in Dundee (DEEAP), face to face advice from trusted organisations is important. DEEAP also works with schools on education projects for pupils to ensure that awareness is raised of climate change and energy use from an early age. This is important in changing attitudes.

4. Given Scotland's diverse range of housing, what support is needed to enable people to get energy efficiency measures installed?

Have a One Stop Shop in every local authority area to provide information for all tenures on measures, how to fund installations; support to enable people to get measures done (for example, assessments done by local authority and measures carried out by installers who are in partnership with the LA); promote and fund community renewable and district heating schemes. The Energy Saving Scotland Advice Centres need to provide face to face advice and information in the manner of the Dundee Energy Efficiency Advice Project.

5. (a) What specific issues need to be addressed in respect of improving energy efficiency in rural areas, particularly more remote or island areas?

We feel the issues are well set out in section 1.19 of the consultation.

5. (b) How should these be addressed?

We note the commitments in 1.23 of the consultation to support community renewables initiatives particularly in areas off the gas grid.

6. Taking into account the models and funding sources outlined in section 1.20-1.37, what role might local authorities and other agencies play in bringing about a step change in retrofitting Scotland's housing?

As a local authority we have not yet decided which Green Deal model to adopt, we will appraise the most effective models and partnership working models as energy companies provide further information on how they propose to develop packages and deliver these. We believe that LAs are going to be central to promotion and delivery of the retrofit programme.

We are interested in the Homes for Scotland proposal to create a fund to be used for retrofit where increased benefit could be gained in terms of carbon savings (as opposed to marginal savings achieved through higher building standards).

Dundee Council has already embarked on district heating installations using CESP funding and we plan on continuing the programme where possible using ECO funding. LAs could be central in rolling out such schemes beyond the public sector.

We tend towards Option B, the Scottish facilitated funding model, as our preferred funding option on the basis that maximising Scottish Government grant funding and funding from the energy companies could be more efficient. This would maximise the funding to Scotland and could simplify funding streams, as it would mean energy companies would not have to deal with all LAs individually. However we would also tend towards LAs bidding for a share rather than it being available on a 'first come, first served' basis.

7. What role should the Scottish Government play in a National Retrofit Programme?

The Government has a key promotional role to raise the awareness of the scheme and its benefits to all households as well as securing a fair share of UK national ECO funding.

8. What role could the devolution of additional powers play in achieving more retrofit?

Setting own VAT levels for retrofit.

9. What further action is needed to achieve the scale of change required to existing homes?

The level of energy efficiency could be linked to reductions in Council Tax levels, in the manner of road tax being less for more fuel efficient vehicles.

10. How can we make sure a National Retrofit Programme maximises benefits to all consumers (for example, older people, those from ethnic minorities, those with long term illness or disability)?

Use trusted intermediaries to ensure the message reaches these groups in the first place, and then support them through the process, much like Care & Repair does for older and disabled people. The Care & Repair model could be expanded for these groups for Green Deal.

11. (a) Should the Scottish Government consider whether a single mandatory condition standard (beyond the tolerable standard) should apply to all properties, irrespective of tenure?

Yes  with caveats

11. (b) If so, how would that be enforced?

Enforcement of enhanced standards would be difficult. New standards would require to be set so that all necessary measures can be financed by grants, particularly for poorer households. Many householders may have equity in their property but do not have incomes or capital available to repair / improve their homes. The present economic conditions make it very difficult to raise loans and the National Lending Unit proposed at the time of the Housing (Scotland) Act 2006 has not materialised. Persuading people that we are all responsible for carbon emissions may be a preferred route though this will be a considerable task, and to date, relatively few people are making the necessary voluntary changes. If mandatory condition standards are adopted the process could be phased in, starting with property newly let out to tenants within the private sector, and new build housing (presumably the building standards will meet the mandatory condition standard - see Q 6). It is difficult to envisage how standards could be applied and monitored within the massive owner occupied sector and may be counter productive in a very fragile housing market if applied to properties on sale. Some of the poorest standards exist within the private rented sector and it is important that Scottish Government introduces legislation which provides councils with sufficient enforcement powers. Our view is that the national retrofit programme should aim for higher standards than outlined, these being, to ensure every home will have loft insulation of 300mm where practical and cavity wall insulation, where practicable, to meet current building standards.

12. (a) In box 6 we identify a checklist for maintaining a quality home. Do you agree with our proposed hierarchy of needs?

No

12. (b) If you think anything is missing or in the wrong place please explain your views.

Point 5 appears to assume the property has gas central heating (review your boiler to ensure that it is efficient) - if not, installing gas heating (if possible) should be higher on the list. We absolutely agree fabric and ventilation should come before installation of micro-renewables. Whilst we agree with the sentiments of point 2 (work is done properly), it is given too much priority within the hierarchy.

13. 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? Please answer Yes or No and provide further explanation if you wish, for example on how this might work.

Yes

This would present particular challenges and resourcing issues in surveying and identifying properties. There are likely to be problems of financing improvements and hence the need for a body such as the National Lending Unit (see question 11 above). If such powers were to be introduced such powers could assist in mixed ownership blocks. In blocks where the LA has an interest work could be coordinated by the LA; in privately owned mixed blocks this could link to new proposals on Property Factors. It may not be reasonable to impose on households which have low energy consumption if they live in energy inefficient homes as the overall carbon impact may be balanced.

14. Should local authorities have a power to enforce decisions taken by owners under the title deeds, tenement management scheme or by unanimity? For example, should they have explicit powers to pay missing shares of owners who are not paying for communal repair work, in the same way they can for agreed maintenance work? Please answer Yes or No and provide further explanation, if you wish.

Yes

Yes to TMS for mixed tenure blocks where the LA still has an interest through ownership. The issue isn't as much about paying the missing share but recovering this cost could be challenging and costly.

15. Should local authorities be able to automatically issue maintenance orders on any property which has had a work notice? Please provide further explanation if you wish.

Yes

The serving of a work notice usually reflects either apathy on the part of all owners to maintaining their property or apathy on the part of some owners who prevent the pro-active owners from carrying out work. In either case once a work notice has been complied with, there must be a question mark over whether the owners, existing or new, will ensure that building maintenance is carried out in the future. Where a work notice has been served and whether the owners have voluntarily carried out the work or where it is carried out in default by the local authority, a maintenance order should automatically follow. The use of a maintenance order simply enforces accepted good practice. There are likely to be resourcing issues for local authorities in policing maintenance orders, whether policed in-house or contracted out. The ability of owners to finance maintenance plans may also be an issue. Landlords with large portfolios tied into banks, where loan to value is an issue, may well also have financial issues.

16. Should the process for using maintenance orders be streamlined , and if so, how? Please answer Yes or No and provide further explanation, if you wish.

Yes

It may be more appropriate for the local authority, when issuing a maintenance order to include a maintenance plan rather than require the owners, who may not have any relevant expertise, to produce a plan which may require amendment, if submitted at all. This would also allow a standard form to be used. There will be a resource implication in monitoring and potentially implementing maintenance plans, again whether carried out in-house or contracted out. The process of registering the maintenance order in the appropriate land register should be streamlined and should be recoverable from the owners.

17. Should local authorities be able to: a. issue work notices on housing affecting the amenity, and b. require work such as to improve safety and security on properties which are outwith a Housing Renewal area? Please answer Yes or No and provide further explanation if you wish.

Yes

The process of creating HRAs is complex and the ability to deal with issues of amenity, safety and security without the need to declare a HRA would be welcomed.

18. Should local authorities be able to issue repayment charges for work done on commercial properties, in the same way they can for residential premises? Please answer Yes or No and provide further explanation below, if you wish.

Yes  No

No comment.

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

Powers of dismissal are probably not the major issue. In practice it is more likely that owners within communal property should engage more and take an active interest in the factoring and other appropriate issues relating to the management of their properties. A more major issue is co-ordination of maintenance improvements where there are no factoring arrangements in place, which is the case in most of Dundee.

20. What action can be taken to raise the importance placed by owners and tenants on the energy efficiency of their properties?

Owners of any rented property (public and private sector) should be required to show the likely energy costs as well as the rent charge at the start or change of any tenancy. Measures fitted at new build could be a selling point as energy costs should be lower. Currently LAs are obliged to give new tenants/owners the EPC for the property. As part of the Home Report new home owners are provided with EPCs but many people aren't able to equate the information on the certificate with the cost of running the property.

21. Should the Scottish Government introduce minimum energy efficiency standards for private sector housing?

This would present challenges (see questions 11 and 13). However the owner occupied properties and those in the PRS are shown to be the least energy efficient.

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

See Q 20. The additional trigger mentioned within the consultation of meeting building regulations on extending a property would be feasible.

23. Are there other key principles that we ought to consider when looking at the possible introduction of regulations?

This ties into the hierarchy of needs, so that making the property more energy efficient must always take priority or be done in conjunction with more 'cosmetic' changes.

When considering any imposition of standards, the householder's economic situation will have an impact on their ability to pay for retrofit (for those at the margins above ECO).

24. How could regulation be used to support the uptake of incentives?

The measures mentioned in 2.67 of the consultation i.e. council tax discounts for improved energy efficiency and the new devolved land and property transaction tax replacement for Stamp Duty Land Tax may offer possibilities.

25. In section 2.68 we identify design options for the standard. Do you have any views on the options set out in that report? Are there other options that we should be considering?

If a standard is to be introduced in the interests of consistency the regulation should be in line with that specified in Developing an Energy Efficiency Standard for Social Housing - ie Option 3 where each property needs to meet a certain energy efficiency score.

26. 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?

Yes

As 25 above.

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

Yes

As 25 above.

28. Are there other specific issues we need to consider in introducing regulation on the energy efficiency of the home for particular groups of people, for example older people, those with disabilities, people from minority ethnic communities?

Making a property more energy efficient for those who are in the home a lot (e.g. older people, disabled people, those with young families) can mean their energy bills will be lower, and will contribute to carbon savings. Microgeneration, eg PV may come into its own in these circumstances to cover higher energy bills. However the often greater proportion of these groups living in poverty may make it difficult for such households to meet these standards.

29. Should we consider additional trigger points to point of sale or rental? If so, what?

Yes

See question 11 above. The additional trigger in the consultation i.e. building regulations for extensions to properties seems feasible. However using such trigger points will mean that some properties not subject to sale may not be tackled for considerable periods of time.

30. Should rollout of any regulation across the owner occupied and PRS sectors be phased or all at once? If you think that rollout should be phased how do you think this should be done?

Yes

If regulation is to be introduced it ought to apply to both owner occupiers and the PRS from the same time.

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

Whilst it is important to encourage owners to improve the energy efficiency of their home, enforcement is an entirely different matter. Many home owners cannot access the necessary funding, in current economic conditions access to lending is difficult and indeed impossible for many homeowners. The proposed Scottish Government National Lending Agency has not materialised. The range of Initiatives under Green Deal/ECO etc are hugely complicated particularly for elderly and vulnerable households. The property market is very fragile and many owners trying to sell their properties cannot do so. Property prices are continuing to fall. The Bank of England recently stated that the economy may not be even half way through the current recession. Many owners are in a situation where they cannot move because they cannot sell their home, this prevents households being mobile to seek new employment opportunities or move nearer relatives to provide support etc. There would be real dangers in introducing enforcement action at this stage.

Should LAs be given an enforcement role this would have to be properly resourced.

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

(a) Do you think that sanctions on owners should be used to enforce regulations?

No

(b) Should owners be able to pass the sanction or obligation on to buyers?

No

No. See question 31 above.

33. The Scottish Government does not intend to regulate before 2015. The working group will consider what options for timing of any regulation might be appropriate, but, given all the points set out in sections 2.80-2.81, from when do you think it might be appropriate to apply regulations?

See question 31 above. 2020 at the earliest to understand how the property market is going to perform in very changed economic circumstances.

34. (a) In Section 3.4 we describe the range of legislative and policy levers that we believe are available to help us transform the financial market such that it values warm, high quality, low carbon homes. Do you agree that this is the full range of levers?

Yes

34. (b) Can you suggest any other ways to help transform the market for more energy efficient, sustainable homes?

No. These are particularly challenging issues given the state of the property market. As stated within the consultation location and property type, school catchment areas etc are all determinants in prospective purchasers choosing to buy properties. Therefore promotion, education and delivering savings through installation of energy efficiency measures seem the most appropriate levers. This has to be led by government possibly through initiatives such as substantial council tax discounts or revaluation to reflect energy efficiency.

35. What changes would be required to current survey and lending practice to enable mortgage lenders to take account of the income from new technology or savings on energy bills?

No comment. Section 3.8 in the consultation outlines mortgage products available from the Ecology Building Society. The CML and RICS and lenders will be able to provide views.

36. Section 3.15 lists a range of challenges that may prevent the benefits of a more sustainable, energy efficient home being fully recognised in its value. What further challenges, if any, need to be addressed?

Rather than being reflected in value, the Green Deal mechanisms of offsetting the cost of energy efficiency measures in ongoing household energy bills may be more effective.

37. (a) Sections 3.16-3.22 set out the action that Scottish Government is currently developing to encourage greater recognition of the value of sustainable homes. Do you agree that this action is appropriate?

Yes

37. (b) What further action is needed to influence consumers and the market?

Building Regulations and standards for new homes are being used. As highlighted within the consultation encouraging sustainable behaviours and major cultural shift are important. Therefore changing thinking should be in schools and curriculae; involve key players who have power to influence; look to examples in Scandinavia; needs to be relevant to the general population rather than to those who are already knowledgeable about energy efficiency and sustainability.

38. What steps can we take to ensure that we design and develop sustainable neighbourhoods?

These seem to be well covered in 4.7 and 4.8 within the consultation.

39. Section 4.10 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?

This is a difficult area as has been found for example in the ground breaking Highland Housing Expo situation - where it proved difficult to encourage purchasers to buy new ground breaking eco friendly homes.

It may not be possible to look to the private sector and attitudes of home owners to be innovative and ground breaking. There are the additional challenges of the current depressed housing market and lending facilities available to purchasers.

This is a role that has been adopted within the social housing sector and it may be for the social sector to continue to innovate and be exemplars of good practice as is the case in the Fife Housing Alliance exhibition site.

Education at all levels and in schools is important to deliver generational change. In Dundee DEEAP works with schools to provide sessions on climate change and energy usage.

40. What action is needed to increase the capacity for developing and bringing to market innovative methods of construction?

In the context of question 39 above encouraging and facilitating new methods of construction such as pre fabrication within the social rented sector. Ensuring as in the case of the Fife Housing Alliance project that there is evaluation and learning from experimental projects and that this is communicated and shared with key players in the industry and the general public in changing perceptions. Money for research, developing prototypes and funding all new build is essential.

41. What further changes to the operation of the Government's affordable housing supply programme would help to enable it to champion greener construction methods and technologies in the medium term?

Mechanisms such as the variable levels of subsidy available within the AHSP should encourage social housing providers to build 'greener' homes. However with finite finance there are difficult pressures in addressing issues of enhanced standards at extra costs against quantity of new build homes to meet the needs of those on waiting lists and who are homeless.

42. What further action is needed to influence the construction industry to make greater use of innovative methods to deliver more greener new homes?

See question 39 and 40. The measures outlined within sections 4.11 - 4.28 of the consultation on government taking the lead, new build standards, using the AHSP and the social rented sector as exemplars of good practice are important drivers.

43. (a) Has Chapter 5 of this consultation identified the key challenges to ensuring Scottish companies have the skills to take advantage of the opportunities expected to be on offer?

Yes

43. (b) If not, What other challenges are there?

NA

44. What further action is needed to ensure there is appropriate investment in skills and training to meet these opportunities?

These seem to be well outlined in sections 5.6 - 5.13 of the consultation. Increasing the scale and continuity of work programmes over time is key to training such as apprenticeships and time for young people to complete these as well as retention of a skilled workforce. The need to provide assurances that these are long term commitments mentioned at 5.13 is important. However, EU procurement law does not always facilitate local employment initiatives.

45. How can the construction industry be made more aware of the potential funding and support for skills and training development opportunities and engage effectively with those providing training to ensure that it meets their current and future needs?

Through the relevant Scottish Government and partner agencies mentioned in 5.7.

46. How do we ensure that skills and training opportunities are provided on an equitable basis to all groups in society?

See question 45.

47. Apart from training and skills opportunities are there any other issues that should be addressed to make employment in construction and other industries becomes more representative?

No comment.

48. Please describe any specific difficulties relating to skills and training that apply to those in remote and island areas and your view on how these may be addressed.

No comment.