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RESPONSE TO “HOMES THAT DON’T COST THE EARTH”

**Scottish Government consultation on
Scotland’s Sustainable Housing Strategy**

HOMES THAT DON'T COST THE EARTH
A consultation on Scotland's Sustainable Housing Strategy

RESPONDENT INFORMATION FORM

Please note: this form must be returned with your response to ensure that we handle your response appropriately

1. Name/Organisation

Organisation Name

Homes for Scotland

Title Mr Ms Mrs Miss Dr *Please tick as appropriate*

Surname

Campbell

Forename

Karen

2. Postal Address

5 New Mart Place

Edinburgh

Postcode EH14 1RW

Phone 0131 455
8350

Email
k.campbell@homesforscotalnd.com

3. Permissions - I am responding as...

Individual / Group/Organisation

Please tick as

- (a) Do you agree to your response being made available to the public (in Scottish Government library and/or on the Scottish
- (b) Where confidentiality is not requested, we will make your responses available to the public on the following basis
Please tick ONE of the following boxes
- Yes, make my response, name and address all available
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- (c) The name and address of your organisation **will be** made available to the public (in the Scottish Government library and/or on the Scottish Are you content for your **response** to be made available?
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name and address

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(d) We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this consultation exercise?

No **Please tick as appropriate** Yes

4. Please indicate which category best describes your organisation

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Executive Agencies and NDPBs	<input type="checkbox"/>
Local authority	<input type="checkbox"/>
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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"/>
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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 No

HFS contributed to the drafting of the strategy as active members of the Cabinet Secretary's Sustainable Housing Strategy Group.

We trust that the Scottish Government will apply an appropriate weighting to the comments we have included in this response. Homes for Scotland is the representative body of the home building sector in Scotland. We represent companies building 95% of new homes built for sale in Scotland as well as a significant proportion of affordable housing. We have discussed the draft strategy in a number of forums gauging our members views including our Technical and Environment Advisory Groups and our Customer Relations Task Group. Although accepting that individual responses have value, we assume a higher weighting will be applied to responses received from representative bodies when balancing overall views on the draft strategy.

We see merit in the production of such a comprehensive strategy but believe that the Scottish Government needs to be flexible in its approach and should avoid over committing. A sensible, economical approach to the climate change agenda is essential to reflect housing market conditions from now through to 2020 and beyond.

We were pleased to see a helpful focus on retrofitting existing housing stock, acknowledging that as the biggest opportunity to reduce carbon emissions from Scotland's housing.

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

Cost and inconvenience are likely to be the main barriers. The public, at this time, do not see the benefit in undertaking the investment leaving it as a low spending priority for households.

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

Raising the profile of the benefits of having an energy efficient home is an absolute must. The best way to get people talking about energy efficiency is by offering financial incentives. Reductions in future fuel bills may help to persuade some households to monitor their usage and install low cost or free improvements but the capital investment required to fund many installations Vs the long term payback is obviously not enough to persuade

households to make the changes needed now to make a real difference.

Scottish Government and Local Authorities should use taxation powers to influence these decisions – households choosing to buy an energy efficiency home should be rewarded with a reduced stamp duty land tax charge and households who live in efficient homes (either through choice at purchase or by retrofitting) should benefit from reduced council tax payments to help reduce the payback time on their capital investment.

Once the public realise the true savings that could be achieved the energy efficiency of a home is very likely to creep up list of priorities for household spending choices. Thereafter a snow ball effect will emerge.

Please also see response to Q34.

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

Some households may need some practical assistance in selecting and installing energy efficiency measures, particularly vulnerable households such as the elderly. Given that many of the measures are very much 'new' to the general public, knowing which technologies and installers to use will be key to increasing levels of trust. Others will simply require a much needed push through financial incentives to get measures installed.

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

No comment from HFS.

5. (b) How should these be addressed?

No comment from HFS.

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?

At this point, we would like to introduce our idea for increasing the funds available to retrofit existing homes through our Retrofit Reward initiative which is touched on within the draft strategy.

The proposed new Building Standards that are set to be introduced in 2013 and 2016 are a means by which Government aims to cut carbon emissions from new homes. These new standards require a very high quality of construction and so significant additional costs will be incurred by house builders and the house buying public as a consequence. The value of the proposal is questionable.

There is a risk that the objective that underpins 2013 / 2016 – i.e., reducing carbon emissions - may not be achieved. There are questions relating to the measures (and technologies) that are proposed, some of which have yet to be reliably tested. Diffusion of new technology is not something that happens overnight - it takes time to move beyond the initial high costs and expensive teething problems that typically occur. Crucially, there is evidence that the economic value of the packages that are proposed for 2013 / 2016 is untenable. This is important if zero carbon homes are to become truly sustainable in future. In the short term, forced introduction of the proposed new standards at a time of economic hardship benefits no one.

In order to ensure that Scotland's commitment to carbon reduction is not in any way diminished, a carbon reduction off-set strategy is being explored by HFS. If the 2010 Building Standard is retained by house builders through to 2016 and beyond, then the carbon reduction shortfalls against the proposed new 2013 and 2016 standards can be met through the Retrofit Reward as an 'Allowable Solution'.

Work undertaken by Dr Mohammed Imbabi at Aberdeen University on behalf of HFS, has calculated that the carbon reductions beyond 2010 attributed to the proposed 2013 / 2016 standards are anticipated to add an average of £3801 in cost in 2013 and £7,842 in 2016. The very small gains in carbon reduction would be achieved at disproportionately high cost. HFS is proposing that the 2010 Building Standard be retained for the foreseeable future (i.e., beyond 2013 / 2016), and for the carbon reduction shortfall to be met at lower cost through energy efficiency improvement and retrofit activities to be funded through the Allowable Solutions mechanism.

Home builders would be given the choice to work towards a higher level of efficiency as indicated by the 2013 and 2016 building standards if they felt it was achievable within their business plans or continue to deliver to the existing 2010 building standards and make a financial contribution to be used for the retrofitting of existing homes. The resulting fund would be used to dramatically accelerate carbon emission reduction through retrofit activities across Scotland.

If built into Scottish policy, this approach is likely to deliver a higher reduction in carbon emissions and greater contribution to tackling fuel poverty.

In terms of management of the fund and delivery of the retrofitting activities, please see question 7 below.

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

In order to achieve the planned carbon reductions the Retrofit Reward fund could feed directly into a National Retrofit Programme or could be used as an additional source to existing energy conservation projects. It could be managed by the Scottish Government, Local Authorities or Housing Associations.

There is an argument that it could be targeted at existing housing stock adjacent to where new developments are taking place, thus demonstrating to all the benefits of new house building. Alternatively, the fund could be spread country-wide to ensure that it reaches some of the most deprived regions and is used to stimulate economic activity.

It is suggested that part of the cash raised could be used to stimulate and fund R&D to investigate, develop and test new, affordable low carbon products and technologies in future. 10% of the fund to support R&D into innovative building energy efficiency and carbon reduction technologies could deliver step change improvements to accelerate the transition of Scotland to a low carbon economy.

The views of the Scottish Government on how they best see the Retrofit Reward being used are sought.

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

We note that within the draft strategy the Scottish Government has stated that they want to see a market premium on warm, high quality, low carbon homes with lower running costs because these attributes are valued by lenders, consumers and surveyors.

In achieving this, the Government acknowledges the need for the market to fully reflect the benefits of greener housing. This is particularly important in the context of the new market-led incentive based approaches. We believe that the Scottish Government should use its new powers to use SDLT to influence the market for energy efficient homes by linking the amount payable to the Energy Performance Certificate (EPC).

When a property is marketed for sale both sellers and buyers have access to an EPC. This mandatory certificate allows comparisons of homes for sale across the market, encouraging buyers to take account of the energy efficiency of the home in their choices. Unfortunately an abundance of research exists to show that energy rating is low down the list of considerations for purchasers. Research has also shown a low cap on the amount that a purchaser is willing to pay for green credentials. Although it could be argued that increasing utility bills will gradually make this more important, savings achieved over the period of a number of years is not a strong enough incentive for sellers to market an energy efficient home or for

buyers to pay a premium for one.

Linking SDLT to EPCs would introduce an effective market-led incentive, creating much needed demand for energy efficient homes. This might incentivise some home builders to build above and beyond building standards to capture this market, and also encourage existing home owners to retrofit their properties before marketing for sale to try to compete with new build.

We expect that there would be a strong correlation between the types of properties that people would purchase if they had already made the decision to move and had a choice between competing products at different levels of efficiency and therefore different levels of SDLT.

Furthermore using incentivisation through stamp duty would raise awareness of the benefits of buying 'green' – getting people talking about it and providing a much needed push in demand in this market. In reverse, this would also get people talking about the inefficiency of some homes, with a higher tax chargeable reducing interest in those homes, encouraging owners to invest and improve efficiency standards and as a result reducing emissions from homes in Scotland.

Please also see response to Q34

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

See comments on HFS Retrofit Reward initiative above.

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)?

No specific comments from HFS.

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 No

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

HFS would prefer the Scottish Government to test the use of incentives before applying regulation to introduce a mandatory condition standard.

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

Yes No

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

No comment from HFS.

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 No

No comment from HFS other than to say that we would favour incentivisation rather than regulation.

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 No

No comment from HFS other than to say that we would favour incentivisation rather than regulation.

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 No

No comment from HFS other than to say that we would favour incentivisation rather than regulation.

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 No

No comment from HFS.

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 No

No comment from HFS.

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 from HFS.

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

We are aware that the Property Factors (Scotland) Act 2011 (coming into force this October) did not increase capacity of homeowners to switch property factors where a majority of homeowners are unhappy with the service and that the existing legal framework surrounding this is rather confusing with rights to choose dependent on Title Deeds and/or the expiration of the 'manager burden' stemming from the Title Conditions (Scotland) Act 2003.

Given that the Property Factors (Scotland) Act 2011 will make significant changes to existing practices and is not even yet in force, we would question the timing of any further change affecting arrangements.

Regardless of how and when the Scottish Government decide to introduce the power to 'switch' there are a few important factors to be aware of for new build developments which are factored:

- A sensible period must be allowed to lapse between the hand over of the last unit on a new development and the time when the decision can be taken to 'switch'. This will be crucial in large scale developments. I believe that a period of two years was muted in the Scottish Government's Land Maintenance consultation and that period seems sensible, giving the arrangements time to bed in and run for a reasonable time to allow performance to be properly judged.
- It will be important that residents are aware of any notice to be given to existing maintenance companies and also the mechanism for residents to consult and appoint new managers prior to the termination of any existing contracts. Residents should also be made aware that the costs of using this mechanism will need to be added to factoring bills and shared by all residents, for example

including but not limited to legal costs.

- It will be crucial to obtain clear guidance on the majority required to make such a change. It is important that the formal process and mechanisms that need to be put in place to take such a decision (i.e. residents vote) and measure the majority is just as clear. Furthermore any default positions must be clear (i.e. no show/vote = status quo)
- Where ownership of land title is involved (i.e. where factoring contracts contain the transfer of title rather than the land being held in common), it will be crucial that any change in legislation take account of this.

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

Financial incentives through SDLT and Council Tax discounts for homes that are energy efficient.

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

Although accepting the rationale for this due to the massive challenge in upgrading Scotland's existing stock, we have serious concerns that the mandatory introduction of minimum energy efficiency standards could have a negative impact on the housing market. Confidence in the market is extremely fragile and given that the regulation is likely to kick in at point of sale we would be concerned that this would discourage households to market their homes for sale. We would not want to see any new regulation introduced which has the potential to slow down the already stagnant market. We note from the draft strategy that regulation would not be introduced before 2015 but given that the market is showing little signs of improvement even that seems too soon. In setting up a working group to assess how and when regulation is to be introduced we would urge the Scottish Government to involve the private sector such as estate agents and surveyors to ensure a full assessment of the impact on the market is taken into account. We must not lose sight of the importance of a healthy housing market and its contribution to the Scottish economy when considering best how to tackle climate change. Before regulation we would promote the testing of financial incentives to positively influence the choices within the housing market as outlined above.

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

Aligning the level of SDLT chargeable to the EPC would immediately increase the importance of the EPC and the likely attention it gets from the public when considering choices within the housing market.

Given advancements in technology which have become popular very quickly such as the use of QR codes, simpler more customer friendly layouts for the EPCs would be possible. At 5 pages long it is not currently very user friendly to the home purchaser.

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

The impact on the housing market and wider economy must be measured when considering the introduction of new regulation.

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

We understand the rationale behind linking incentives to regulation i.e. as in England & Wales where the regulation on private rented homes is only enforceable if Green Deal finance is available, but as raised above our preference would be for the use of incentives without regulation because of the fears we have about the impact new regulation could have on the confidence of households within this already fragile market.

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?

From the 4 measures proposed (1. the creation of a set of specific requirements i.e. minimum requirement for loft and cavity wall insulation where feasible, 2. applying a simplified version of the Scottish Housing Quality Standard, 3. use of EPC rating or 4. implementation of recommendations from the Energy report (subject to cap on costs)), were regulation to be introduced (taking into account our comments about regulation above) we would see the use of EPC rating as the most appropriate. Given that it is already a mandatory requirement to have an EPC for all homes marketed for sale and given how helpful it would be if more people paid attention to the EPCs rating in considering their choice of homes for sale in the market. It would also allow a direct comparison with new build homes for sale in the market.

The downside of using the EPC is that only those who are considering a move are likely to know the EPC rating that their home has. To encourage those who are not planning a move to upgrade their home we have suggested a link to reduced council tax charges. To demonstrate the grading which improvements/retrofitting has achieved to qualify for the discount in council tax, perhaps a Local Authority could require the household to acquire an EPC for their home. However, the cost of this would have to be considered to ensure this did not act as a barrier.

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 No

Any regulation must be practical and costed. Forced improvements that are costly and ineffective in terms of the carbon reduction Vs the payback of the capital investment received would be extremely unhelpful. A guide from the Scottish Government on the maximum price per tonne of carbon saved would be helpful – we understand that £16 / tCO₂e is the carbon floor price that is currently being proposed by Government. This would mean that any measure which cost more than £16 per tonne of carbon saved would be exempt from the regulation. Flexibility in any regulation will be very important and that is another reason why the use of the EPC rating would provide a helpful measure which does not dictate which measures are used to achieve the desired rating.

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 No

Not necessarily.

We are very aware that the 2.33 million existing homes generate too high a proportion to Scotland's current emissions and for that reason are supportive of a focus on retrofitting.

We are also aware of the existing efforts that Local Authorities and RSLs are putting into programmes to upgrade stock to meet the appropriate quality standards, and that efforts can be restricted where homes within communal blocks are in private ownership and the owner is unwilling to contribute to the cost of the upgrade. For this reason common standards would be helpful.

For both it is crucial that the retrofit measures are practical and costed.

Private homes for sale or rent must be at a value that is marketable and affordable in the market. If the investment required to upgrade the homes is so high that a return cannot be achieved the measures should not be enforceable.

Within the social sector our concerns relate to an organisations ability to develop much needed new homes for Scotland. If finance/debt options are being used to invest in upgrading existing homes, equity available to lever in funds to invest in new homes will be reduced. For this reason it is important that retrofit measures add value to existing stock, easing gearing ratios and allowing organisations to continue to develop meeting housing need with all the associated benefits to the economy.

See also question 26.

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?

No comment from HFS.

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

Yes No

Point of sale or rental would be the most straightforward trigger points were regulation to be introduced, given the need for an EPC at that time.

The use of Building Regulations for applications to extend existing homes may be considered a sensible trigger. We note that the existing procedures for this are currently under review and it would make sense to explore the possibilities of aligning applications for building warrants to extend a home with retrofitting, were regulation for a minimum standard be introduced.

However, the use of incentives in this case would be crucial. It is not in the Scottish Government's interest to deter households from undertaking work to their homes such as extensions with all the economic benefits that construction work brings.

If applications to extend were to become a trigger, households could find that as well as funding the cost of an extension at the same time they would also have to fund the cost of bringing the rest of their home up to a certain standard.

That said, given that the household will already be disrupted and have construction workers on site, it does make sense to have additional work carried out to upgrade the home at that time but incentives must be utilised to make the additional cost of extending worth while (for example Green Deal).

Again we would encourage the use of incentives before regulation.

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 No

Any delay in announcement to implementation could have a negative effect on the market. Certainty is required to allow households and businesses to plan. Therefore any announcement on regulation should be clear on what applies when.

We would suggest that an appropriate basis for phasing would be on the amount of carbon saved per pound spent. From the EPC and home reports, households would have an understanding of the list of measures that could be undertaken to improve the efficiency of a home and the payback through reduced fuel bills that those measures are likely to achieve.

The earlier phase should be to address the quick wins, those measures that are cost effective in terms of carbon reduction achieved against the cash investment required.

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

Any enforcement should avoid new levels of administration etc that would be costly to the Scottish Government. Linking measures to EPCs should provide a straightforward process.

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?

Yes No

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

Yes No

As stated throughout this response, we are not supportive of regulation but instead would promote the use of incentives. The nature of the consultation questions has meant that we have had to provide our view on what would happen if regulation was to be introduced. The same applies to this answer.

a) Enforcement should be driven through incentives. We would discourage any new layers of administration and suggest that the Local Authority may be best place to police through the existing council tax system.

b) Sanctions should be able to be passed onto new owners. It will be the choice of a buyer to take on the sanction and that would be built into the price they are willing to pay. If the measure to be undertaken to avoid sanction was cost effective and was reflected in a higher value at sale then there is a clear incentive for the existing owner to carry out the improvement before the sale.

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?

Market conditions must take priority and at this time the market is still extremely fragile. As stated above, it is crucial that the Scottish Government think carefully about the timing of any regulation and consult widely with estate agents, surveyors etc., about the state of the market before making decisions on timing.

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 No

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

The best way to transform the market is to increase the demand for more energy efficient, sustainable homes.

We need to strongly promote the benefits, with messages that will hit the public and encourage households to demand energy efficiency. Market research is also required to establish what customers are looking for and what would influence their decisions. The Scottish Government may wish to work with the home building industry in designing a research and public awareness campaign. HFS would be happy to assist with such a project, tapping into the expertise we have in membership.

The difficulty we have at the moment is levels of awareness and understanding is very low. We could learn lessons from the car industry where 'Miles per Gallon' or MPG is readily understood and sought within a car spec. The cost of road tax is also promoted widely, and even though the annual savings could be as little as £100 per annum it does seem to influence purchase choices. The car industry is of course assisted by the fact that individuals have to physically fill up their tanks every week or so and know exactly how much it costs them. The price per gallon spelt out in lights outside each petrol station also helps the public's understanding of the benefits that can be derived from driving an efficient vehicle.

The effectiveness of the increased demand for efficiency is clearly linked to financial gains that can be made. The links between better efficiency and savings in the car industry are simple and clearly understood. The same cannot be said for housing. This relates back to our suggestion that households should be rewarded for their choices through reduced stamp duty and council tax.

A key difference between the car industry and housing is of course that the price of an energy efficient car is not necessarily any higher. With housing, with the capital investment required to deliver an energy efficient home, or upgrade an existing, the seller would want to recover this investment in selling through a higher selling price. Nevertheless, useful lessons from this industry could certainly be drawn.

Savings in house hold fuel costs are much more complex. Does anyone fully understand the unit price for gas or electricity? Does anyone really know how much money could be saved by installing energy efficient measures? We know that new homes built today are 70% more energy efficient than they were in 1990, but we do not know what that means for a households fuel bills each year. Regular research/reporting based on current fuel costs should be done in this area, with results linked to Scottish Government press releases and new home marketing campaigns.

We have argued that we must raise the profile of EPCs. All homes marketed for sale require an EPC which allows a good comparison between what's on offer. The fact that the EPC level will soon have to be included in estate agent advertisements will help this, but we (Scottish Government, policy makers, lobbying groups, industry bodies, surveyors, lenders, estate agents, buying public etc etc) should all have an understanding of what the varying EPC levels actually means.

The EPC is a very comprehensive report but how much attention is actually paid to its content? In considering this question we referred randomly to a home report (see table extracted below). From this table we can see that the only significant saving to be made is with lighting where low energy lighting could achieve a saving of £44 per annum. That saving is easy to understand. The fact that 8 kWh/m² could be saved in energy use each year and 0.1 tonnes could be saved in carbon dioxide emissions each year is likely to mean very little to customers. What we need is a headline stat from the EPC that spells out what it means in practice to the customer.

Estimated energy use, carbon dioxide (CO₂) emissions and fuel costs of this home

	Current	Potential
Energy use	172 kWh/m ² per year	164 kWh/m ² per year
Carbon dioxide emissions	3.4 tonnes per year	3.3 tonnes per year
Lighting	£98 per year	£54 per year
Heating	£545 per year	£552 per year
Hot water	£90 per year	£90 per year

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?

Survey:

The value of a home is dictated by demand. See Q34 for suggestions for stimulating demand. But what comes first, the chicken or the egg? Without the willingness to pay more for a 'green' home, how can a surveyor value it higher?

Putting the level of demand aside, there are clearly some 'facts' which the surveyors should be able to account for within their valuations. Surveyors must be skilled to value energy efficiency measures including a) an assessment of the potential savings on fuel bills and b) any income that will be generated as a result of the measures.

At the moment surveyors are extremely nervous about the judgements they make on the value of a home. This stems from the risk averseness of lenders. Valuation premiums for 'green' credentials currently do not exist and this must be address to achieve the desired market transformation.

Lending practice:

We understand that some lenders have 'dabbled' in green mortgages but that their availability and promotion is not widespread. Lenders should be encouraged to promote the 'green' agenda in the following ways.

When assessing the affordability of a mortgage, the lender should take into account fuel costs which could range quite vastly depending on the property that is being purchased. Allowing a household to borrow more than would traditionally be allowed if they chose to buy a home which is energy efficient would influence public choices, and thereby grow demand.

When designing mortgage products, lenders should be encouraged to incentivise energy efficient homes by offering discounted rates. This could relate to mortgage products to buy a new home or to re-mortgage to release funds for retrofitting.

To allow a lender to assess the energy efficiency of a home the EPC should be made available to the lender.

Each of the financial measures may not make a huge difference to a household but the key is to raise awareness, get people talking about and demanding energy efficiency.

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?

The list presented is comprehensive and continued engagement at the highest level with CML/lenders and RICS must continue.

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 No

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

We do not agree that reviews of the energy standards in building regulations and the new system of sustainability labelling will help to raise expectations of what should be considered 'normal'. New Build homes currently only account for around 0.5% of all homes in Scotland so it's extremely unlikely that raising the standards of the low number of new homes being delivered will raise the expectation of what the Scottish public view as 'normal'. The high standards that new homes are delivered to will leave a positive impression on those who do live in new build homes but perhaps the statement contained within the strategy should be toned down to reflect what can actually be achieved by raising standards on such a tiny proportion of homes.

The other measures listed such as the 'green homes network' and projects such as BRE's Innovation Park are positive and may well help promote the benefits of energy efficient homes by allowing the public to see and feel the measures installed but it's unlikely that these initiatives will touch those who are not already switched on to the green agenda.

What we need is measures to get people on the street talking about energy efficiency and we strongly believe that the introduction of significant financial incentives (through variances in Stamp Duty and Council tax charges) is the best way to achieve this. Market research would be helpful to determine the level of impact that this could have.

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

Our members' recent experience with planning and roads departments suggests that there is no clear cohesive approach to adopting Scottish Government policy across Scotland. Interpretation of current legislation can vary vastly between Local Authorities and even within them with competing views from planners and road engineers.

This experience on the ground demonstrates that Scottish Government

efforts to change the way we design and build housing developments to encourage more sustainable neighbourhoods is in practice not working.

Our members have serious concerns that the use of design guides across the country is pushing home builders to deliver a product line that customers do not want. Rightly or wrongly, in general, customers demand front and back doors, with a drive way at the front, often within a cul-de-sac setting. We are separately raising concerns with Local Authorities on these issues (i.e. current consultation on Glasgow City Council's Design Guide).

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?

A number of organisations are gearing themselves up to deliver homes which meet the proposed 2013 and 2016 building standards using alternative methods of construction. The ability to deliver ranges between companies, whether contractors or suppliers, with many offering evidence of results through completed test products and others at the early stages of business development.

The question for the Scottish Government, and indeed HFS, is if homes can be efficiently built at levels which exceed current standards without increasing costs...why is the home building industry not utilising these products/methods of construction at present?

Is it nervousness about the 'newness' of the build? Is it that the finished product will be less attractive to customers? Is the change too risky to lenders as corporate funders? Is it a lack of in-house resource available to tackle R&D and suggest new construction methods? Is it stubbornness and fear of change in such a fragile market?

The running of home building companies is a complex task. Home builders are here for the long-term and need to consider business plans cautiously to satisfy risk-averse corporate funders and often share holders. At the same time home builders exist to make a profit - they are speculators and if there is a market edge or bigger margin to be gained its very likely that they will pursue it. Very few, however, have pursued the greener homes agenda which indicates to us that it does not make economic sense at this time.

To achieve new build transformation and fully explore the opportunities in Scotland to lead, we must drill down into the obstacles and understand what is stopping the industry in moving forward on this.

Looking beyond the recession (assuming it will come to an end eventually), HFS would be keen to work with the Scottish Government to help answer the questions raised and identify a plan of action for the long term.

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

See question 39.

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?

See question 39.

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.

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 No

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

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

To persuade companies to invest in skills that may be needed in the future, it needs to be made clearer what tangible benefits there are for companies. Clear information on new initiatives and schemes is required to give the industry the confidence to invest.

As well as confidence to invest, HFS is particularly concerned about the capacity of colleges to offer construction courses going forward. The downturn has obviously had a knock-on effect on the number of 'bums on seats' in colleges (e.g. reduction in the number of apprenticeships training) and it seems that this drop in demand is being reflected in funding decisions. This could be further compounded by the regionalisation agenda in the post-16 review of vocational education. However, it is important to point out that if capacity is lost at this point, it will be very difficult to re-establish that capacity again when training increases. This would have a detrimental effect on government's plans to increase the number of skilled people and the number of new and up-skilled jobs. Therefore, training provision should be protected and plans to review college courses should take cognisance of future training needs rather than simply current training volumes in a

recessionary environment.

It is also important to note that the greatest challenge around 'greener' skills is not a marked increase in new entrants to the construction industry, but re-skilling and up-skilling existing workers. At present the majority of funding is targeted towards the 16-19 year old age group through Modern Apprenticeship programmes. Flexibility of funding is required to support construction employers to re-train and re-skill existing workers who may simply need a 'top-up' of skills and training rather than a new qualification. This is an area which requires further thought and discussion as the cost of re-skilling could prove to be a disincentive to employers in the current economic climate.

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?

Support for the construction industry can be confusing with a number of government bodies and organisations involved in the construction skills agenda. As the trade body for the home building industry we are aware of lots of good work being done in construction but we still find it confusing which organisation is responsible for what. Funding opportunities need to be well publicised, spelling out who could benefit. Resources within companies are at an all time low and there is no spare staff time available to search for such initiatives.

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

No comment.

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.