
improving living in scotland



**WRITTEN EVIDENCE TO THE LOCAL GOVERNMENT AND
COMMUNITIES COMMITTEE ON THE DRAFT CLIMATE
CHANGE PLAN – THE DRAFT THIRD REPORT ON
POLICIES AND PROPOSALS 2017-2032**

1 FEBRUARY 2017

ABOUT HOMES FOR SCOTLAND

Homes for Scotland is **the** voice of the home building industry.

With a membership of some 200 organisations together providing 95% of new homes built for sale in Scotland each year as well as a significant proportion of affordable housing, we are committed to improving the quality of living in Scotland by providing this and future generations with warm, sustainable homes in places people *want* to live.

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PROCESS

Homes for Scotland represents members on a wide range of issues affecting their ability to deliver much needed homes.

Our views are endorsed by operational committees utilising the skills and expertise of key representatives drawn from member companies.

This response has been discussed, drafted and approved by the Technical Group.

WRITTEN EVIDENCE TO THE LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE ON THE DRAFT CLIMATE CHANGE PLAN – THE DRAFT THIRD REPORT ON POLICIES AND PROPOSALS 2017-2032

1. Homes for Scotland (HFS) is the representative body for the home building industry in Scotland, representing some 200 member organisations from home building, RSL, planning and architecture professions as well as supply chains who together help deliver around 95% of all new homes built for sale each year, including a significant proportion of affordable homes. HFS is committed to improving living in Scotland by providing this and future generations with warm, sustainable homes in places people want to live.
2. We welcome the opportunity to respond to the Draft Climate Change Plan (RPP3). This submission is intended to supplement the evidence that will be provided at the oral evidence session for the Local Government and Communities Committee on 8 February 2017. In particular this submission will provide our initial thoughts on matters relating to the new build sector contained within Section 8 (Residential) of the report.
3. The home building industry fully recognises the importance of addressing the challenges of climate change and the impact reducing energy demand from domestic building has on helping eradicate fuel poverty as well as meeting the targets set out within the Climate Change (Scotland) Act. We continue to believe that the construction sector has an important role to play in achieving these aspirations alongside many other industries across Scotland.

Housing Output

4. New housing output totalled 16,209 units for 2014-15¹. With Scotland's total domestic housing stock estimated at 2.56 million dwellings for the same year², new build output represents only 0.63% of the existing housing stock. With it estimated that around 80% of the current housing stock will be in use by 2050, and by forecasting a 4% annual growth in output until it reaches pre-2007 levels of around 25,000 units per annum, it can be estimated that by 2050 only 31% of housing stock will have been constructed to 2010 Building Standards or higher. This means that around 70% (approximately 2 million) existing homes will require some form of retro-fitted energy efficiency measure over the next 33 years. We therefore would argue that given the scale of the sector the main focus for government interventions should be on making the existing housing stock more energy efficient. As is explained below, new build homes are already highly energy efficient.

Energy Efficiency of New Build Homes

5. It is important to recognise how far the new build housing industry has come over the past decade. Whilst RPP3 notes that residential emissions have fallen around 26% between 1990 and 2014, the report fails to pick up that 2015 Building Standards represented around a 75% carbon emissions reduction on the 1990 baseline. The staged improvements in Scottish Building Standards have resulted in significant improvements in the performance of new residential dwellings of all tenures.

¹ Scottish Government Housing Statistics

² National Records of Scotland – Household Projections

- Putting this into the context of benefits to the end user, we have collated a data sample of EPC bands and estimated energy costs for a range of standard family house types produced by our member companies. This data showed that homes built to 2010 Building Standards (representing a 30% reduction in carbon emissions from 2007 standards³) on average deliver an EPC band rating of B (84) for energy efficiency and an average annual estimated energy bill (for space heating, lighting, hot water and ventilation) of £587; around £49 per month. This is less than half of the current average monthly energy bill in Scotland⁴. 2015 Building Standards (a 45% reduction in carbon emissions from 2007 levels⁵) show further improvements including a 37% reduction in estimated energy bills; to in some instances a bill of around £30 per month. To put this into context, the average EPC rating in Scotland is a D (61), with around 40% of the total housing stock (approximately 1.02 million homes) having a C rating or above. Almost 10% of these homes will have been built since the introduction of the 2010 Building Standards.

Energy Standards

- It is clear that increasing the delivery of new build homes can help reduce carbon emissions for the residential sector and may help alleviate fuel poverty in Scotland. However, the scale of output, even at the challenging rates forecast above, indicates that the real opportunity sits with the improvement of the significant proportion of existing housing stock currently unaffected by the policies and proposals contained within RPP3.
- It is generally accepted that the 2015 Building Standards have, for now, reach cost optimal levels for compliance. Our members note that further improvement to energy standards for the new build sector will incur significant costs for minimal gain in terms of performance and carbon reduction. Changes in 2010 and 2015 both incurred construction cost increases in the region of £5,000, which were met by home builders as surveyors did not recognise any increase in the value of a new home where energy efficiency measures were provided.
- It would be beneficial for RPP3 to breakdown the expected carbon emissions reductions further still, for example by sector and by individual policies and proposals. This would be particularly useful information to understand before the forthcoming Scottish Government review of Building Standards in 2017. A key industry concern is that sequential short-term changes to Building Standards do not provide sufficient time between cycles to embed knowledge and prepare for new regulation. HFS would advocate that the Scottish Government allow more time between changes for building standards to allow learnings to embed into mainstream practice allowing industry, supply chains and technology to catch-up with the principles that underpin them.
- The policies and proposals in the report regarding Energy Efficiency Standards for Social Housing and Private Rented Housing (ESSH and EESPR respectively), are supported by industry. It is thought that the introduction of EESPR could have an impact on the available supply of rented accommodation (an estimated 345,000 homes) or impact the overall tenure mix, as individual landlords may seek to exit the market to avoid addition costs and regulation. It will therefore be important for the Scottish Government and Local Authorities to support the growth of new purpose built, highly energy efficient private rented sector housing (Build to Rent, BTR), which provides a

³ Sullivan Report 2007

⁴ Department for Business, Energy & Industrial Strategy – National Statistics Quarterly Energy Prices: December 2016.

⁵ Sullivan Report 2013 Update

significant opportunity to help improve the standard and quality of private rented accommodation as well as increase housing supply and tenure choice in Scotland.

11. However, the main challenge for the Scottish Government will be in encouraging the 1.5 million homes in the owner occupier segment to make a considerable investment in energy efficiency measures.

Decarbonised Energy

12. The home building industry recognises the benefits that decarbonised energy can deliver for the sector. Indeed, recent changes to building standards have resulted in forthcoming developments adopting renewable technologies including photovoltaic panels and air source heat pumps as solutions to meeting the new energy standards, aligning with many of the Scottish Government's objectives for the electrification and decarbonisation of energy supply.
13. Evidence from members suggest that often there is very little understanding as to the impact incorporation of low and zero carbon energy generating technologies have on distribution networks, and has been noted that local authorities and distribution network operators have been on occasions unwilling to engage with industry on such matters. It is clear that the existing utilities infrastructure has not been designed or sufficiently upgraded to enable renewables to connect to distribution networks. We have examples of member companies providing photovoltaics on their new homes and energy network operators refusing to connect them to the network.
14. A further burden is placed on developers through Section 72 of the Climate Change (Scotland) Act in relation to 'Development plans: inclusion of greenhouse gas emissions policies' as implemented through the Town and Country Planning (Scotland) Act 1997. We are aware that some Local Authorities have chosen to add further requirements to the industry, often prescribing standards above and beyond of what is required through building standards, creating yet further barriers to new development. Our members believe such policies to be excessive and would ask that a more strategic, national and consistent approach is taken to the implementation of Section 72 through the Town and Country Planning (Scotland) Act.
15. For policy and proposals to be truly effective there needs to be an aligned approach to regulation and policy that enables collaboration between key stakeholders of the residential and energy sectors to bring forward cost effective appropriate solutions. With the home building industry becoming ever more involved in the delivery of energy generating technologies and infrastructure it is vital that HFS is more involved in the development stages and implementation and monitoring of future policies.

Observations

Perception of New Build Standards

16. We should celebrate the great strides that have been taken in recent years, and the efforts that the home building industry has made to improve the energy efficiency of new homes. It is therefore disappointing to read and hear statements made by some MSPs that fail to recognise this extremely positive aspect of new build housing, and which persistently presents new build homes as poor in quality and efficiency in comparison to our European neighbours. Whilst the statistics provided above highlight the significant steps industry has taken in such a short period

of time, it would be helpful if the Scottish Government were to commission external research to baseline where Scottish Building Standards are in comparison to the rest of the European market prior to any further changes to standards.

Market Context

17. The construction industry and its supply chain operate within the context of a UK and European market. For suppliers to be confident they are producing products at a scale that is cost-optimal, building standards must align with those within our common market area, helping ensure that the sector can utilise mainstream construction products that do not add significant cost to housing delivery. This will be important going forward helping ensure that the industry can increase output and support the cost effective delivery of the 50,000 affordable homes target. The Scottish Government should be taking into consideration the technologies that are currently available and mainstreamed within the sector when making policy decision.

Brexit

18. There is significant uncertainty regarding the impact Brexit will have on the industry, in particular the direction both Westminster and Holyrood will take regarding their ambitions for implementing Article 9 of the Energy Performance of Building Directive (EPBD) that seeks for all new buildings to be nearly zero energy from 2019 and 2021. In light of the UK's likely departure from Europe and uncertainty regarding Scotland's position within the single market, we must be mindful that we are reviewing this policy at a challenging time, and must remain flexible depending on geo-political outcomes.

Summary

19. A level of perspective is needed when considering the policies and proposals put forward by RPP3. The new build sector has played a significant role in reducing carbon emissions, having already reduced its own by around 75% since 1990. However, systematic change of standards and inconsistent implementation of policy continues to act as a barrier to development and the delivery of much needed new homes. We would advocate that policy and proposals should be reflective of what has already been achieved by the home building sector and aim to avoid overburdening industry or create barriers to new development. More generally, figures suggest that improvement to existing housing stock will offer more significant carbon reductions than the further enhancement of very high energy standards currently being met by the industry, and therefore should be a primary focus for the Scottish Government.

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