

WRITTEN EVIDENCE FROM EXISTING HOMES ALLIANCE SCOTLAND

The Existing Homes Alliance Scotland¹ welcomes the opportunity to submit written evidence to the Infrastructure and Capital Investment Committee on the Draft 2013/14 Scottish Budget. The Existing Homes Alliance is a coalition of anti-poverty, social housing, consumer, building industry, energy efficiency and environment groups calling for action to make Scotland's homes fit for the 21st century. We believe the budget provides the opportunity to match spending commitments with the government's ambition as set out in the forthcoming Sustainable Housing Strategy for – “warm, high quality, affordable, low carbon homes.’

We will focus our submission on affordable housing, fuel poverty and energy assistance.

Summary:

- We welcome the intention behind the Green Investment Package but believe the Draft Budget allocation for domestic energy efficiency and fuel poverty is inadequate to meet the climate change and fuel poverty targets. We believe the government should invest *at least* £130m per annum in the National Retrofit Programme, double the current rate of expenditure.
- Recent analysis, to be published shortly by WWF Scotland², reveals a startling gap between the total investment required to meet a 42% reduction in emissions from housing (£7.7 bn) compared with the current and projected rate of investment by government and the Energy Company Obligation (£1.5bn).
- Even to reach the government's target for emissions reductions from housing as set out in the Report on Proposals and Policies of 36% would require a total investment of £4.6bn, leaving a £3.1 bn gap for the private sector to fill – or three times planned expenditure.
- When considered in terms of meeting the fuel poverty target, £6.3 bn is required, compared with an estimated investment of £0.54bn by 2016/17. So for every £1 of government investment, more than £10 of private sector funding must be found.
- While government cannot be expected to plug the gap, it should at least double its investment in the National Retrofit Programme and use the new Sustainable Housing Strategy to demonstrate how the programmes and policies will lever in the remaining investment from the private sector. It will be important to ensure that the balance between public and private investment is kept under regular review, as additional

¹ existinghomesalliancescotland.co.uk

² *Mind the Gap: Funding Home Energy Efficiency to deliver Scotland's Climate Change and Fuel Poverty Targets – an analysis of the investment challenge*, (October 2012), a report to WWF Scotland by Verco

public sector investment may be required if sufficient private sector investment is not levered in.

- We give a cautious welcome to the £20m funding to promote the Green Deal and would be happy to discuss plans for how it is used. We question what impact this funding will have on alleviating fuel poverty as households suffering from rising fuel prices are on a tight budget and are unlikely to take up a Green Deal agreement.
- We welcome the focus on preventative spending on energy efficiency and renewables and the creation of the Warm Homes Fund. We are concerned there is no detailed explanation of how the fund will work so it is difficult at this time to comment on its likelihood of success. However given the rising numbers of low income households living in fuel poverty and increasing energy prices we believe that there is some urgency in ensuring that the fund is spent to help low income communities in rural and urban area develop renewable energy projects.

Background

Home energy use accounts for around a quarter of climate emissions in Scotland and a third of our energy demand. Action in this sector is crucial to meeting the Climate Change (Scotland) Act's target of a 42% cut by 2020. At the same time, energy efficiency plays a vital role in lifting households out of fuel poverty. The Scottish Government is required under section 88 of the Housing (Scotland) Act 2001 to eradicate fuel poverty by 2016. Despite these statutory commitments, recent reports show Scotland is not on track to meet either target.

In our view, affordable housing should not only be affordable to rent or buy, but affordable in terms of running costs. Therefore it is essential that the Draft Budget give greater support to raising the standard of Scottish housing, so that no one is condemned to live in fuel poverty simply because the house is energy inefficient. It is known that fuel poverty is concentrated in the worst performing homes, so every effort should be made to future-proof homes against fuel poverty through energy efficiency.

Fuel Poverty

The latest figures from the government project over 800,000 households were living in fuel poverty in 2011, a dramatic rise of 7% on 2010³. The latest fuel price rises of up to 9% give rise to concerns of a further increase in fuel poor households. Recent analysis in a report to WWF, *Mind the Gap: Funding Home Energy Efficiency to deliver Scotland's Climate Change and Fuel Poverty Targets – an analysis of the investment challenge*⁴, suggests that the current budget for fuel poverty falls well short of what is needed. The report concludes there is a need for £6.3bn of public *and* private investment to meet the fuel poverty target in

³ <http://www.scotland.gov.uk/Topics/Statistics/SHCS/FPEvidenceReview>

⁴ Mind the Gap, 2012, WWF Scotland

2016. This is significantly more than the £200m per year expected to be generated through the National Retrofit Programme. Given the huge increase in fuel poverty, alongside this analysis of the investment challenge, we recommend the budget for the National Retrofit Programme be doubled to at least £130m per annum and the Sustainable Housing Strategy clearly set out how the remaining private investment will be levered in.

Climate Change

The recent publication of the greenhouse gas emissions data for 2010⁵ confirms that the Scottish Government has missed its first legally-binding target under the Scottish Climate Change Act. It is worth noting that there were large increases of greenhouse gas emissions from the residential sector (an increase of 15%) and that residential emissions have now actually risen by a total of 3% since 1990 (according to the Report on Proposals and Policies, the government is planning a reduction of 36% on 1990 levels). This may be due in part to a cold winter, but it is clear that statutory targets are not weather dependent and this increase in emissions will only make it more challenging to meet them in the future.

The Scottish Government cannot afford to miss another annual target, so it is all the more important that the housing sector plays its part. The Alliance believes the housing sector can and should cut 42% of its emissions by 2020 (rather than the 36% ambition in the RPP). Compared with other sectors, upgrading Scottish homes is cost-effective, popular with voters, and supports local jobs. This target can only be achieved with the right investment and policies to drive demand. The recent analysis for WWF reveals a startling gap between the total investment (public and private) required to meet a 42% reduction in emissions from housing - £7.7 bn - compared with the current and projected rate of investment by government and the Energy Company Obligation -£1.5bn – a gap of five times. Even to meet the 36% target would require £4.6bn total investment – 3 times the current rate of expenditure.

Scottish Draft Budget:

The Budget has responded to these challenges with the commitment to the National Retrofit Programme of £65m, the Warm Homes Fund, the Green Investment Package, and an additional £3m to the 2012/13 budget to pilot projects for the National Retrofit Programme. The Green Investment Package includes “£30 million of additional funding for a programme of energy efficiency measures that will tackle fuel poverty, contribute to meeting our climate change targets and provide opportunities for small and medium sized construction firms.”

On closer inspection, of the £30m, £20m is a consequential of UK funding to promote the Green Deal through a cash-back scheme, with the remainder targeted at energy efficiency in the public sector. While we welcome support for the Green Deal, it is likely this will only have marginal benefit for the fuel poor as these households operate with tight budgets with

⁵ <http://www.scotland.gov.uk/Resource/0039/00397478.pdf>

no spare cash to take up a Green Deal. In any case, many fuel poor households will need to spend any fuel savings on additional warmth.

The Budget also restates the government's commitment to establishing the National Retrofit Programme in 2013 with a budget of £65m. This allocation is roughly equivalent to the current budget for domestic energy efficiency and fuel poverty programmes (down 0.2% from 2012/13), but is less than allocated in 2009-10 (£65.9m) or 2010-11 (£70.9m). Given the great challenges ahead now is the time to *increase* investment in the National Retrofit Programme to at least £130m per year. This balance of public and private expenditure must be kept under review as additional public sector funding may be required if the private sector investment is not forthcoming. Furthermore, the National Retrofit Programme must be complemented by regulation of minimum standards of energy performance for all housing to drive demand. This package will make Scotland the most attractive place for Energy Company Obligation spending and create the green jobs needed to grow Scotland's low carbon economy.

Conclusion: Warm Affordable Homes – making the ambition a reality

Action on domestic energy efficiency is a very cost effective way of boosting employment and local economic activity. Investment in domestic energy has a particularly positive impact on communities:

- The employment generated by such work is more likely to be accessible to local people and the long term unemployed
- Expenditure on housing is spread across the country, ensuring the fair distribution of benefits
- Energy efficiency measures cut fuel bills – alleviating fuel poverty but also increasing local spending power and thus supporting local businesses.

The Existing Homes Alliance Scotland welcomes the commitment by the Scottish Government to warm, affordable homes – meeting its climate change targets, eradicating fuel poverty, and creating important job opportunities for small businesses. The Draft Budget and the forthcoming Scotland's Sustainable Housing Strategy goes some way towards delivering on this agenda, but the objectives will only be achieved with sufficient budget to make it happen. We recommend a doubling of the budget for the National Retrofit Programme to at least £130m per annum as a minimum, combined with a suite of measures including minimum standards of energy performance for all private sector housing to drive demand.

The Existing Homes Alliance Scotland includes representatives from WWF Scotland, Energy Action Scotland, the Scottish Building Federation, Scottish Federation of Housing Associations, the Energy Saving Trust, Chartered Institute of Housing, Association for the Conservation of Energy, Consumer Focus Scotland and Verco.