Introduction
The Existing Homes Alliance Scotland (ExHA) welcomes this opportunity to provide evidence to the Infrastructure and Capital Investment (ICI) Committee of the Scottish Parliament. This evidence is in support of our appearance before Committee on the 26th October.

The Existing Homes Alliance Scotland is a coalition of organisations calling for urgent action to transform Scotland's existing housing stock and make it fit for the 21st century. It 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 Camco.

Summary
- Decisions on the nature of infrastructure and capital investment are crucial to meeting the Government's legal requirements under Scotland's Climate Change Act and the target to eliminate fuel poverty by 2016. They are also a central component of its vision of a 'low carbon economy'.
- The Draft Budget and Spending Review commits to supporting a low carbon economy and recognises the need to meet climate change targets. However, the funding allocated to domestic energy efficiency appears to fall short of what the Government, in the Report on Policies and Proposals (RPP), estimate is required.
- Investment in domestic energy has been shown to be a particularly cost effective way of cutting carbon while also delivering a range of other positive outcomes – on health, employment and skills – and supporting a preventative spend agenda. By adopting an integrated approach to home energy improvements, public spending can deliver better outcomes for less.
- Budget spending on domestic energy efficiency and fuel poverty should be increased in order to meet the Government's objectives. The Existing Homes Alliance Scotland believes that Scottish Government funding of £100 million per year is required.

Background
Home energy use accounts for around a quarter of climate emissions in Scotland and action in this sector is therefore crucial to meeting the Climate Change (Scotland) Act's target of a 42% cut by 2020. Coupled with the need to cut emissions is a need to address fuel poverty. The Scottish Government is required under section 88 of the Housing (Scotland) Act 2001 to eradicate fuel poverty by 2016. Despite this current trends are going in the wrong direction – following the latest fuel bill price almost a million Scottish households are now in fuel poverty.

To tackle these serious challenges the Existing Homes Alliance Scotland (ExHAS) calls for three actions from the Scottish Government to improve Scotland's housing:
- A commitment to a National Retrofit Programme
- Investment of at least £100m per year over the next decade in improving the energy performance of housing
- A roadmap for the implementation of minimum standards of energy efficiency for existing private housing by 2015

We believe that these actions are affordable and will lead to multiple economic, social and environmental benefits. The budget and spending decisions for housing infrastructure and investment taken over the next few years will be crucial to the achievement of climate change and fuel poverty goals.

Climate Change
The ExHA welcomes the identification of the transition to a low carbon economy as a priority of the Scottish Draft Budget and Spending Review. The explicit recognition that the Draft Budget and Spending Review needs to help 'achieve our world-leading climate change targets, under the Climate Change
(Scotland) Act’ and that ‘helping to tackle climate change is an exemplar of preventative spend’ is also welcome.

However, budget amendments on domestic energy investment are required to ensure that Scotland is on track to deliver emission cuts. On homes, the Draft Budget for 2012-13 proposes £65m for energy efficiency and fuel poverty. While greater than current funding (£48m), this is less than allocated in 2009-10 (£65.9m) or 2010-11 (£70.9m). The RPP highlights a doubling of carbon abatement between 2011 and 2012 from home energy efficiency policies (CERT, CESP, EAP and UHIS), yet spending commitments do not reflect an increase in government funding commensurate with this.

The RPP includes both the public and private funding required for relevant activities and we recognise that not all funding is expected to come from the Government. However not only will many policies and proposals rely heavily on Government funding but this funding itself can be used to both lever in resources from elsewhere and provide confidence for investment by the private sector.

Fuel Poverty
Fuel poverty has a damaging negative impact on the quality of life and the physical and mental health of those who suffer from it, with significant cost burdens on the NHS. Levels of fuel poverty in Scotland are high and are increasing.

Energy Action Scotland have calculated that an investment of at least £170m per year is required in order to meet the 2016 fuel poverty eradication target.

In contrast this Spending Review commits to Scottish Government spending of around £200m over 3 years. Support will be spread between the Energy Assistance Package (EAP), Universal Home Insulation Scheme (UHIS) and Boiler Scrappage Scheme. An additional £50m over the lifetime of this Spending Review is to be allocated to the Warm Homes Fund, though it is unclear what measures this will support. It should also be noted that Warm Homes Fund expenditure is skewed towards the later years of this Parliament – in this year only £6.5m is committed, this being split between Warm Homes and transport initiatives.

We therefore seek an increase in funding for these programmes and also greater clarity as to the exact way in which funding allocated to fuel poverty and energy efficiency will be spent. Also important is further information from the Scottish Government as to how Government schemes will interact with funding from energy utilities and elsewhere and how the overall level of support can be maximised.

Wider benefits of action – Preventative Spend
The Draft Budget and Spending Review proposals acknowledge that tackling climate change constitutes an important preventative spend. Despite this, proposals fail to fully reflect this opportunity. Published on October 19th 2011, the Hill Report for the UK Government (DECC) shows that in England and Wales 2,700 people are dying every year as a direct result of fuel poverty, more than the number killed in traffic accidents. Figures in Scotland are likely to be proportionately higher given our cold and damp climate and the poor quality of much of our housing stock. In addition to excess deaths, fuel poverty causes high numbers of hospital admissions every year with major costs for the NHS. According to the Fuel Poverty Advisory Group for England, for every £1 spent on fuel poverty, 42p is saved by the NHS. Based on research from the UK and elsewhere, Friends of the Earth Scotland have estimated that by helping eliminate fuel poverty, home energy improvements could prevent around 180,000 cases of anxiety and depression each year; by cutting the incidence of asthma and respiratory problems, they could reduce the number of children and working adults taking time off for illness by 15 and 25% respectively.¹

Action on domestic energy – delivering better outcomes for less

¹ Friends of the Earth Scotland 42% better off – the feasibility and added value of meeting Scotland’s climate change target for 2020 (FoES, 2010)
Action on domestic energy efficiency is a very cost effective way of boosting employment and local economic activity. In switching funds from revenue to capital expenditure the Government has recognised the benefits of capital investment in supporting the economy. 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

Work undertaken for WWF by the Energy Savings Trust\(^2\) shows that improving all E, F & G homes to a D rating would not only achieve a 25% reduction in residential emissions on 1990 levels and reduce annual carbon emissions per home by 2.70 tonnes but support nearly 10,000 jobs directly and generate £613 m gross value added (GVA). The payback time for measures averaged just 5.5 years. Investment in a National Retrofit Programme and the setting of minimum standards would boost not just employment but also the development of skills, many of which would be transferrable, increasing employability.

Research has shown that taking an integrated, area based approach to energy upgrade can reduce costs by 20-30 percent as well as increasing up take and providing the potential to link energy action to wider neighbourhood renewal.\(^3\) A strategic approach to Government funding is required, ensuring that different funding streams work together effectively, maximising positive outcomes.

The Existing Homes Alliance Scotland is calling for annual spending on domestic energy efficiency to be increased from around £65 million to around £100 million per annum. This increase represents only 0.1% of the Scottish budget but would deliver huge gains. Based on figures for the UHIS scheme, each additional £10 million spent on such work would provide around 30,000 energy efficiency measures for Scottish homes. This would save around 13,000 tonnes of carbon per year, creating employment, cutting fuel poverty and putting more spending power into the pockets of local people, thereby multiplying the economic gains.

**Conclusion**
The commitment to a low carbon economy and to action on climate change in the draft budget is welcome, as are recent Government statements identifying fuel poverty as a priority. However, current spending plans will not meet these aspirations of Government targets. Spending on domestic energy and fuel poverty delivers huge direct and indirect benefits and this should be properly reflected in final budget and spending plans.

---

\(^2\) EST Scotland *Raising the Standards – Analysis of costs and carbon savings from tackling the least energy efficient homes in Scotland* (WWF, 2011)

\(^3\) Sustainable Development Commission *The Future is Local: Empowering Communities to improve their neighbourhoods* (SDC, 2010)