LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE

AGENDA

6th Meeting, 2016 (Session 5)

Wednesday 28 September 2016

The Committee will meet at 10.00 am in the James Clerk Maxwell Room (CR4).

1. **Subordinate legislation:** The Committee will take evidence on the Council Tax (Substitution of Proportion) (Scotland) Order 2016 from—
   - Cllr Kevin Keenan, Spokesperson for Resources and Capacity, and Jonathan Sharma, Policy Manager, COSLA;
   - Paul Manning, Scottish Local Government Partnership (and Executive Director of Finance and Corporate Resources, South Lanarkshire Council);
   - Derek Yule, Director of Finance, Highland Council (and current Chair, CIPFA Directors of Finance);
   - Dave Watson, Head of Policy and Public Affairs, UNISON Scotland.

2. **The Draft Second Climate Change Report on Proposals and Policies (RPP2):** The Committee will take evidence, in a roundtable format, from—
   - Cllr Harry McGuigan, Spokesperson for Community Well-being, and Silke Isbrand, Policy Manager - Communities, COSLA;
   - Craig McLaren, Director, RTPI Scotland;
   - Chris Wood-Gee, Steering Group Vice Chairperson, Sustainable Scotland Network;
   - Fabrice Leveque, Stop Climate Chaos Scotland;
   - Mike Thornton, Director, Scotland, Energy Saving Trust.

3. **Consideration of evidence (in private):** The Committee will consider the evidence heard at agenda items 1 and 2.
4. **Work programme (in private):** The Committee will consider its work programme.

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Clerk to the Local Government and Communities Committee
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The papers for this meeting are as follows—

**Agenda item 1**

Note by the Clerk LGC/S5/16/6/1

*SPICe Briefing on Council Tax Reform* LGC/S5/16/6/2

PRIVATE PAPER LGC/S5/16/6/3 (P)

Submission from COSLA LGC/S5/16/6/4

Submission from the Scottish Local Government Partnership LGC/S5/16/6/5

Submission from CIPFA Directors of Finance LGC/S5/16/6/6

Submission from UNISON Scotland LGC/S5/16/6/7

**Agenda item 2**

PRIVATE PAPER LGC/S5/16/6/8 (P)

Submission from COSLA LGC/S5/16/6/9

Submission from Sustainable Scotland Network LGC/S5/16/6/10

Submission from Stop Climate Chaos Scotland LGC/S5/16/6/11

Submission from the Energy Saving Trust LGC/S5/16/6/12

**Agenda item 4**

PRIVATE PAPER LGC/S5/16/6/13 (P)

PRIVATE PAPER LGC/S5/16/6/14 (P)
Local Government and Communities Committee

6th Meeting, 2016 (Session 5), Wednesday 28 September 2016

Subordinate Legislation

Overview of instruments

1. The following instrument is being considered at today’s meeting:
   - The Council Tax (Substitution of Proportion) (Scotland) Order 2016 (SSI 2016/XX)

Background

2. The Local Government Finance Act 1992 (“the 1992 Act”) provides for council tax to be payable in respect of a dwelling in Scotland by reference to which of the 8 valuation bands the dwelling falls within. Section 74(1) of that Act specifies a proportion which serves to determine the relationship between council tax levels for dwellings in the different bands within each local authority’s area. This Order substitutes a new proportion for the purposes of section 74(1). The proportion is changed for the first time since being set by the 1992 Act and the new proportion will have effect from financial year 2017-18 onwards.

3. The new proportion has the effect of increasing the levels of tax payable for dwellings in the higher 4 bands (E to H) relative to that payable for dwellings in the lower 4 bands. The Policy note from the instrument is attached at Annexe A.

4. An electronic copy of the instrument is available at:
   
   http://www.legislation.gov.uk/sdsi/2016/9780111032589/contents

5. The Equality Impact Assessment results are available at:
   

6. The Committee needs to report by 1 November.

Delegated Powers and Law Reform Committee consideration

7. The Delegated Powers and Law Reform Committee (DPLRC) considered this instrument at its meeting on 13 September and determined that it did not need to draw the attention of the Parliament to the instrument on any grounds within its remit.
POLICY NOTE

THE COUNCIL TAX (SUBSTITUTION OF PROPORTION) (SCOTLAND) ORDER 2016 (SSI 2016/XX)

1. The above instrument is made in exercise of the powers conferred by section 74(3) of the Local Government Finance Act 1992 ("the 1992 Act"). It is subject to the affirmative procedure.

Policy Objective

2. The 1992 Act provides for council tax to be payable in respect of a dwelling in Scotland by reference to which of the 8 valuation bands the dwelling falls within. Section 74(1) of that Act specifies a proportion which serves to determine the relationship between council tax levels for dwellings in the different bands within each local authority’s area. Section 74(3) provides the power to substitute different proportions for those in section 74(1).

3. There have been no changes to the proportions since the Council Tax was introduced in 1993. The independent cross-party Commission on Local Tax Reform, in its final report of December 2015, highlighted that the original council tax was regressive in relation to incomes and to property values.

4. The Scottish Government committed to adjusting the rates paid by those in the four highest Council Tax bands (E, F, G and H), by changing the multiplier for those bands as set out in Section 74(3). The original multipliers were expressed in 1/9ths. The reason they translate to 1/360ths is because the original 1/9ths have been amended by percentage increases of 7.5%, 12.5%, 17.5% and 22.5%, applying to bands E to H respectively.

Consultation

5. Formal consultation was not considered to be necessary as these amendments implement a manifesto commitment, informed by the work of the Commission on Local Tax Reform. However, the Scottish Government has worked with the Convention of Scottish Local Authorities (COSLA), the Institute of Revenues, Rating and Valuation (IRRV), local authority revenue and benefits practitioners and their software suppliers in the development of these Regulations.

Financial Effects

6. The net additional Council Tax raised from these adjustments is estimated to be £100 m a year. Households on low incomes living in properties banded E to H will be entitled to an exemption from the changes through the Council Tax Reduction scheme. The exemption is
created in the Council Tax Reduction (Scotland) Amendment (No 2) Regulations 2016, which are laid with this Order.

Impact Assessments

7. An Equalities Impact Assessment (EQIA) has been prepared in respect of this Order, and equalities impacts will be reviewed during the implementation of the changes to Council Tax as a result of this Order.

8. As there is no impact on business or the third sector, and no impact on the environment or on environmental issues, no Business and Regulatory Impact Assessment or Strategic Environmental Assessment is required.

Local Government and Communities
Scottish Government
September 2016
Local Government and Communities Committee

6th Meeting 2016 (Session 5), Wednesday 28 September 2016

The Council Tax (Substitution of Proportion) (Scotland) Order 2016

Submission from COSLA

Introduction

1. COSLA welcomes the opportunity to provide evidence to the Local Government Committee on the draft Statutory Instruments (SSIs) for the Scottish Government’s proposed Council Tax Reforms. The Committee is asked to note that COSLA’s response covers both the call for evidence on the Council Tax (Substitution of Proportion) (Scotland) Order 2016, as well as the Council Tax Reduction (Scotland) Amendment (No. 2) Regulations 2016 (SSI 2016/253) which will be considered by the Social Security Committee. Hereafter we refer to the SSI’s as “the Council tax reforms (multiplier changes) and the Council Tax Reduction Scheme changes.”

2. It is worth saying upfront that COSLA strongly believes that the Commission for Local Tax Reform’s findings presented an opportunity to develop a truly modernised system of local taxation. COSLA’s response to the Commission was ambitious about what such a modernised tax could look like and how this could re-establish the relationship between local taxation and local democracy. It is therefore disappointing that the Scottish Government’s proposed changes fall short of this ambition and that the draft SSI’s being considered by the Committee only serve to enact limited changes to the current Council Tax system. More is said about this in the body of COSLA’s evidence submission.

3. The Committee should also be aware that, irrespective of COSLA’s view on the proposals, we have worked closely with the Scottish Government in developing an approach for implementing the changes in practice. This reflects COSLA’s willingness to work in partnership with the Government even where there may be fundamental disagreement on the policy direction.
Summary of COSLA’s Key messages to the Committee

- COSLA believes that there was a genuine opportunity to truly modernise local taxation in light of the Commission for Local Tax Reform’s findings. Disappointingly the Scottish Government’s proposals for Council Tax Reform fall short of an ambitious reform of local taxation.
- COSLA believes that using Council Tax to fund national policy fundamentally breaks the notion of a local taxation which relates to the communities who pay for and benefit from the services provided to them.
- COSLA believes that a Council Tax cap removes local democratic accountability for setting levels of Council Tax.
- To ensure there is no confusion between national policy decisions and local decisions over setting levels of Council Tax, there should be a national publicity and awareness campaign, prior to Councils communicating to householders locally about changes to Council Tax.

COSLA’s response to the Scottish Government’s Council Tax Reforms

Local Democracy

4. The Scottish Government’s proposed Council Tax reforms are, as the Committee will be aware, in response to the Commission for Local Taxation’s recommendations. COSLA’s President, who jointly chaired the Commission, commented at the time that what the Government is proposing is an affront to local democracy and fails to draw more substantially on the work of both the Commission for Local Tax Reform and the Commission for Strengthening Local Democracy. We cannot stress our concerns strongly enough to the Committee that these proposals do not enhance local democracy and accountability for local taxation, and instead fundamentally undermine these aspirations.

5. Before going into the detail of our response there are two key concerns which illustrate the depth of the challenge to local democracy. With the Committee’s interest in local government and the local democratic process, we would hope very much that Members will wish to make comment to the Scottish Government around these two concerns:

Central Policy Direction of Local Taxation

6. Fundamentally COSLA is deeply concerned about the intention to use local taxation to pay for centrally determined policies. This is not the role or indeed the purpose of local taxation. The decision to re-direct £100m of revenues raised by the changes to the Council Tax multiplier for Band E – H properties, to fund educational attainment, breaks the link between local democracy, local taxation and accountability to local communities for spending in their local area. For the first time in its history and, indeed, the history of local taxation in Scotland, Council Tax is to be used to fund expenditure by central government.
7. The Government had a range of options at its disposal, including its own substantial tax raising powers, and could have drawn on these in order to raise funds for raising educational attainment instead of using local taxation.

**Breaking the Link to Local Spending**

8. The link between raising revenue and expenditure in the same locality is the cornerstone of local taxation and the Government’s proposed changes breaks this link. For the first time ever, Council Tax revenues from one Council could be diverted elsewhere through central policy direction.

9. It may be best to clarify this with an example. The table below compares the Band E – H increase with Councils’ share of the attainment funding. (Note that this is a hypothetical example of what, in principle, could potentially arise and does not pre-suppose any actual distribution agreed for the attainment funding.) As demonstrated in the table, the Councils which raise additional funding from the Government’s core proposal to make changes to the Band E – H multiplier changes, due to the higher incidence of these properties in their Council area, will not necessarily see that funding coming back to them, to meet educational attainment in their area.

**Example 1 comparison of Band E- H increase compared with Councils’ share of attainment funding**

<table>
<thead>
<tr>
<th>Council</th>
<th>Band E – H increase</th>
<th>Share of £100m attainment fund</th>
<th>Amount paid/ received from one Council’s householders to another Council’s householders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Council A</td>
<td>£2m</td>
<td>£0.25m</td>
<td>£1.75m</td>
</tr>
<tr>
<td>Council B</td>
<td>£0.5m</td>
<td>£1.5m</td>
<td>+£1m</td>
</tr>
<tr>
<td>Council C</td>
<td>£0.25m</td>
<td>£1m</td>
<td>+£0.75m</td>
</tr>
</tbody>
</table>

10. In the example above Council A has raised £2m from its Band E – H increase. However it has only received £0.25m as its share of the attainment funding. Councils B and C raise smaller sums from Band E – H increase, but receive far more from the attainment fund as their attainment need is greater. In this example Council A’s householders have paid £1.75m for services to be provided to Council B and C’s householders.

11. It is COSLA’s strong view that to use local taxation revenues in this way contravenes the entire notion of reforming local taxation and threatens local democracy.

12. COSLA is equally concerned over local communities’ perception of the Scottish Government’s proposals. As was set out in the proposals, Band E householders are set to see a 7.5% increase in Council Tax in April 2017 and a Band H
household will see a 22.5% increase. Whilst not in the power of local decision making, these increases will be applied prior to any local decisions on increasing Council Tax, up to the 3% cap applied by the Government. This is likely to further confuse householders as to who has made the decisions to increase their Council Tax.

Review of the Proposals

13. COSLA, in our submission to the Commission for Local Taxation, had called for a far more radical reform of Council Tax which could have seen a fully modernised Council Tax, which we believed was worthy of being considered to be a local taxation of the future. In the rest of our submission, we seek to explain the extent to which the Scottish Government’s proposals, in our view, fall short. We also say something about the draft SSIs given that will be the Committee’s focus, however we do see the issue as being more widely about the implications of the proposals for local the future of local democracy.

Council Tax Revaluation

14. In our submission to the Commission we put forward a principled approach whereby we argued that a modernised Council Tax would meet our principals of fairness, ease of understanding, stability, efficiency and collectability. At the core of our recommendations was that a wholesale revaluation of Council Tax was needed to bring long out of date property valuations up to date. With the revalued properties we argued that a fair system of banding and band widths be developed which would build around the revised property values.

15. The Government’s proposals ignore revaluation altogether. Coupled with a review of bandings we believe this could have ensured continued stability and fairness in the Tax, without the need for significant disruption to individual households. More significantly we argued that you cannot consider revising bandings without a revaluation first, as this would not meet the principle of fairness and ensuring stability.

Local Government’s Fiscal Deficit

16. What we were arguing for with a modernised Council Tax was to address the current fiscal deficit whereby 80% of Council funding is provided centrally. We have an aspiration to ensure that at least 50% is raised locally, as the Commission for Strengthening Local Democracy argued in its report. Whilst the Government has proposed to assign a proportion of income tax to local government, there is nothing yet to suggest that this would give local government greater control over its funding. Strengthening Council Tax in our view was a key means to secure local revenue raising for local spending decisions and, coupled with a return of business rates to local control, would achieve the 50% aspiration.

17. As the Committee will be aware there has been a Council Tax freeze in place for the last seven years, as a requirement of the local government settlement. Whilst the proposals will enable Councils once again to raise Council Tax, a cap is to be applied such that increases are capped at a maximum of 3%. It is COSLA’s
strongly held view that such a cap retains central direction of Council Tax and goes against local democratic decision making and local control of Council Tax.

**Changes to the Council Tax Multiplier**

18. In our submission to the Commission for Local Tax Reform, we argued that a fair system of banding is a pivotal component for a modernised progressive Council Tax. We highlighted that whilst the core banding has strong merit, the current approach to banding compromises COSLA’s principles for an effective local taxation, especially as those in the highest Bands only pay 3 times those in the lowest. Nonetheless we concluded that, with a review of the number of bands and the ratios between the Bands (the multiplier), then a fairer and more progressive Council Tax could be developed.

19. Critically, as mentioned above, this must go hand in hand with a wholesale revaluation which would inform the best mix of bands and multiplier. At each subsequent revaluation we argued that the bands and multiplier should be looked at again.

20. The Scottish Government is proposing only to make changes to the multiplier for Bands E – H, with no consideration of households in lower bands or to look at the number of bands. This has the consequence of limiting the inequity between Band A from 3 times to 3.5 times and, as has been pointed out in the Scottish Parliament’s own SPICe Briefing, this is far from bringing about a more proportionate taxation. As pointed out the Commission for Local Tax Reform itself modelled a ratio of 15 times the highest Band to the lowest, as being the level required to achieve proportionality.

21. Notwithstanding the disagreements with the policy direction, COSLA officers have done work with the Government on the practical implementation and this work is ongoing, with a view to Councils being able to bill householders on time for 2017/18. Scottish Government officers’ initial outline of the content of the draft SSIs indicate that they are in line with our understanding of how the changes will come about. COSLA must however offer a caveat to this conclusion, as officers are still to understand the further detail of the draft SSIs once they are introduced.

22. Importantly we know from speaking with Councils that there will be significant cost implications for them for implementing and administering the changes. We would expect any additional costs incurred by Councils to be met by the Scottish Government.

**Council Tax Reduction Scheme**

23. In putting forward our recommendations to the Commission for Local Tax Reform, we presented a case for a review of all the reductions and discounts which are available to householders within the Council Tax system. Whilst the Council Tax Reduction Scheme is the biggest of these, there are other discounts available such as the Single Person Discount, reductions for disabilities and for long term empty homes. It is worth noting with regard to the latter that the
Scottish Government is considering legislation around Council Tax discounts for second homes, reinforcing again the central direction of policy on a local taxation.

24. Our argument was that, given Council Tax is a personal as well as property tax, an effective scheme of reductions is appropriate but that, driven by a reform agenda, the opportunity should not be lost as to how the reductions available can best support those most in need and with the lowest incomes, regardless of what property banding.

25. The Scottish Government has proposed only to offer support to those in low incomes whose property sits within Bands E – H, in order to mitigate the increases from the multiplier changes. A proposal to beef up the child premium within the current Council Tax Reduction scheme, is the sole proposal around reforming the scheme itself. Again COSLA believes that this is a missed opportunity to look more fundamentally at what reductions should support a modernised and more progressive Council Tax.

26. As with the multiplier changes, COSLA is working with the Scottish Government to implement the changes to Council Tax Reduction in practice and, as with the multiplier changes, initial understanding of the content of the SSIs suggest that these are in line with our understanding of the CTR changes.

27. As with the changes to the multiplier, we know from speaking to Councils that there will be significant cost implications for them for implementing and administering the changes. Again we would expect any additional costs incurred by Councils to be met by the Scottish Government.

National Communication on the Reforms

28. COSLA would welcome support from the Committee in pressing the Government to ensure that they communicate the changes to householders fully and that there is substantive national publicity and awareness raising around this. For their part Councils locally will ensure that good communication is in place both for the changes, the potential for householders to apply for relief and any local increases in Council Tax. But this must be preceded by a national publicity campaign by the Government.

Assignation of Income Tax Proposals

29. While COSLA recognises that the assignation of Income tax is not within scope of the Committee’s review, we would like to highlight that we are interested to hear the government’s proposals regarding assignation of income tax. It is clear that this is not in a position to happen in 2017/18, however we urge government to progress joint working with COSLA on the options around the assignation of income tax to local government.

In Conclusion

30. COSLA welcomes the Local Government Committee’s scrutiny of the draft SSIs for the Scottish Government’s proposed Council Tax reforms. COSLA is
committed to working with the Scottish Government to ensure successful implementation of the proposals in practice. However COSLA trusts that the Committee, with its interest in local government and the local democratic process, will recognise and will wish to make comment to the Scottish Government that, far from reforming local taxation, the Government is simply moving ever further toward removal of local taxation altogether with these proposals.
Local Government and Communities Committee

6th Meeting 2016 (Session 5), Wednesday 28 September 2016

The Council Tax (Substitution of Proportion) (Scotland) Order 2016

Submission from the Scottish Local Government Partnership

1. Overall, do you support the principles of the Government's plans to reform Council Tax?

The Scottish Local Government Partnership (SLGP) is supportive of Council Tax reform, however, the amendments proposed by the Scottish Government in the draft SSI, being limited to the multiplier, do not fully address the deficiencies in the existing Council Tax arrangements.

The SLGP believes that the Council Tax changes being proposed to nationally redistribute funds raised by the changes across council areas breaks the fundamental link between local taxation and local spending priorities by using Council Tax revenue to fund national priorities. The proposal to redistribute funds raised locally between other authorities undermines the principal of local taxation and breaks the link between local taxation and accountability.

The SLGP supports the full control of council tax income and spending being returned to the local level and that future proposals in relation to local taxation should have no restrictions which weaken the link between local taxation and accountability.

In summary, the SLGP believes that the proposed decision to take locally raised funds and to reallocate them across other council areas undermine the link between local democracy and the ability of councils to raise and direct local taxation for local priorities.

2. To what extent will the Government's proposed reforms make the system of Council Tax fairer?

The principal of increased Council Tax charges for those in higher banded properties is a basic amendment to improve the distribution of the Council Tax burden.

The extension of the Council Tax Reduction scheme and increase in Child Premium goes some way to alleviate the burden of increased charges for those residents in high banded properties with limited ability to pay.

The SLGP believe that opportunities to further improve the fairness of local property tax system have been missed, specifically by reforming:

- The outdated valuation banding model with property values dating from 1991 with the opportunity missed to use readily available software to undertake revaluations in a short period.
o Discounts, exemptions and disabled relief categories based on status which are not related to ability to pay and have remained relatively unchanged since the introduction of council tax despite significant changes in the composition of households and specifically the increase in the number of single person discounts claimed.

o The fact that there are still only 8 bands with the multipliers still not addressing the significant gap in the value of properties between Bands A and H. This missed opportunity further highlights the fact that the proposed changes are only at the margins and do not go far enough in the reform of council tax.

3. To what extent will the changes be straightforward for local authorities to implement?

The SLGP is extremely concerned that the Scottish Government has not yet addressed the issue of the arrangements for joint Council Tax, Water and Wastewater billing and whether the amendment to the multiplier for Council Tax will also apply to Water and Wastewater. If dual multipliers are to be maintained, this will present an additional and significant challenge for software suppliers and be extremely challenging to implement in time available.

Whilst software suppliers have advised that main software amendments should be deliverable it should be noted that they have also indicated that any further changes will be very challenging and will present a risk to council’s ability to issue Direct Debit statements of changes and Council Tax bills within the required timescales.

The changes being proposed will result in additional administration for Councils and it is important that this is recognized and that sufficient funds are made available to support it over the long term.

The SLGP has real concerns that the changes in relation to CTR will result in the historic linkages between the process of Housing Benefit and CTR will be broken resulting in significant increases in the combined administration of them.

Whilst this questions seeks commentary on the ease of implementation within councils we cannot ignore the significant risk to claimants. In addition to the fact that the changes will result in confusion, the requirement to claim for CTR for the first time ever for a number of individuals and the probability that in the future they may have to complete separate forms for housing benefit and CTR as the links start to be broken, will add to public concern.

4. Do you support the Government’s planned changes to Council Tax reductions?

The extension of the Council Tax Reduction scheme to support low income households in Bands E and above is welcomed.
The SLGP believes that the Scottish Government needs to acknowledge and provide financial support to ensure that the CTR system can cope with the anticipated increase in the CTR caseload both in relation to the increases in payments made and the administration. The SLGP believes that the Scottish Government must recognise and fund efforts of local authorities in promoting uptake of Council Tax Reduction, particularly for customers who have not previously qualified for the scheme or for customer groups, such as pensioners, where take-up is traditionally low. This will be critical in ensuring that the protections in place for low income households are delivered.

5. Please add any other comments on any aspect of the proposed reforms.

The SLGP believes that the Scottish Government must undertake a publicity campaign to advise Council Tax payers in Bands E to H of the increase in charges from April 2017, clarifying that the amendments to multipliers are a Scottish Government and not a local authority decision and of its decision to reallocate funds raised in any council area to other council areas to support its national policy. Given that we are required, and do so via the council tax leaflets, to demonstrate accountability for taxes raised locally and the associated spend, and given that the income from the CT bandings increase will be re-distributed, will the government provide the accountability narrative to us all individually or do something at a national level?

The financial impact of the changes in Council Tax bandings on local government settlements are still unknown. It is vital that the proposed distribution methods must be fully consulted upon, and the impacts on councils taken into account in the implementation plans.

Failure to properly address the issue in relation to Water and Wastewater could result in significant issues in relation to fairness. Possible suggestions of reducing charges for lower bandings to maintain the overall sum paid to Scottish Water will result in significant increases in Bands E-H and will particularly be unfair to asset rich cash poor households in this group.
Introduction

I welcome the opportunity to submit evidence to the Committee on behalf of the CIPFA Directors of Finance Section. The Section represents the Directors or Heads of Finance of all 32 councils in Scotland. CIPFA, is the Chartered Institute of Public Finance & Accountancy, and is the only Accountancy Institute worldwide that specialises in Public Sector finance.

The Section is strongly of the view that a review of Council Tax is long overdue. Whilst we would support the direction of travel, we do not believe that the proposals by the Scottish Government go far enough in terms of reform or the reinstatement of the long held tradition of funding local services aligned with local decision making.

The Section believes that a wholesale revaluation of Council Tax is required, and this should then be subject to regular updating. The failure to undertake a revaluation since the Council Tax system was introduced in 1993 means that the system has failed to address diverging values of house prices across Scotland since that date which contributes to the regressive nature of the Council Tax.

Answers to specific questions

(1) Overall, do you support the principles of the Government's plans to reform Council Tax

The current proposals are a small step towards what is required in terms of a fundamental review of Council Tax. By changing the multiplier for the top four bandings, this does make some concession towards the tax becoming more progressive with Band H now being approximately 3 2/3 greater than Band A. However this needs to be seen in the context of the Commission on Local Tax Reform which identified that the top Band charge would need to be approximately 15 times greater than the lowest Band for the charges to be proportional.

The current differential between bandings, based on fractions of ninths, is difficult to understand. These new proposals equally fail to explain the logic
behind the multipliers proposed. No detail has been provided to support the proposals.

Our biggest concern is the core principle that Council Tax is a local tax, determined locally, to be spent on local priorities. This would support the principles behind community empowerment and engagement. The proposal to collect the additional element relating to the multiplier, and then redistribute, breaks this fundamental principle.

Allowing councils to increase tax by 3%, whilst at the same time applying the multiplier, may lead to significant confusion amongst local taxpayers as to who is responsible for their tax increase.

Whilst any tax system requires to be fair (or perceived to be fair), it also requires to be easily understood. The Scottish Government’s proposals have the capacity to confuse. Added to this confusion is the fact that local taxation will be re-distributed, and breaks the concept of local accountability. One unintended consequence of this may be increased challenges of collection if these proposals are not accepted by the public.

After a significant period of a tax freeze there can be no doubt that councils will face an increased challenge of collecting what, in some instances, will be a significant increase in the basic charge.

(2) To what extent will the Government's proposed reforms make the system of Council Tax fairer?

The proposed reforms go a small way towards a fairer system due to the fact that they are progressive in nature. However the proposals fail to address the wider concerns about the system. The Government could have introduced an immediate change to revalue properties where improvements are carried out which increase the property value. Again, to make the system “fair” we would advocate a complete and regular revaluation of properties.

The proposals make the strong link between property value and wealth. Whilst each factor is weighted 50:50 in the general scheme, single adult households are more concentrated in the lower bandings, so the proposals are progressive in nature.

The scale of the increase in multiplier, ranging from 7.5% to 22.5%, does however represent a significant increase, particularly after the lengthy period of a council tax freeze. Whilst this is progressive, it is questionable whether the general public will believe this to be fair, given that the changes will affect in the region of 25% of all council tax payers across Scotland. As stated
above any tax system requires the tax to be accepted to avoid significant challenges of non-payment. A local tax, being used to fund services in other council areas, may be considered unfair.

The Government needs to be clear in its explanation to the public why it is making this change. To date there has been no real publicity surrounding this, and the Government needs to take a lead in explaining the policy change and justifying why council tax collected is to be re-distributed.

The planned changes to Council Tax Reduction, covered in question 4 below, also help to make the system fairer.

(3) **To what extent will the changes be straightforward for local authorities to implement?**

Our general feeling is that the changes should be fairly easy to implement. There will be a longer lead in time, essential to allow software companies to rewrite the parameters to allow the various banding changes to be made. This should not be complex, but will incur additional cost, and require a greater level of testing than would otherwise have been the case with the present parameters.

Given the significant funding pressures on Councils it would be reasonable to expect that any one off and recurring costs associated with these changes are met by extra Government funding.

Councils may however face a greater challenge to collect the increased tax.

The Government needs to provide clarity on Water & Sewerage charges as soon as possible. No mention has yet been made, but these charges are collected by Council as part of Council Tax billing. Should the Government’s intentions not include Water & Sewerage then this will create significant complexity to the software changes.

(4) **Do you support the Government’s planned changes to Council Tax reductions?**

The Section is pleased to note that the Government recognises that there will be additional costs associated with the proposed amendments to Bands E-H.

At this stage there is considerable uncertainty as to the absolute cost of this but this additional cost needs to be fully funded.
What does not appear to be recognised is the increased costs of administering a higher caseload of CRTS claims. Most councils will acknowledge that they currently do not receive full funding for the administration costs associated with the CTRS, which has been frozen since 2013.

It is clear that the multiplier changes will bring more households into the CTRS, and acknowledgement should be made of this increased workload and cost.

Similar to Council Tax itself, the Scottish Government could have considered wider reaching changes to the CTRS. 50% of Council Tax relates to a personal element and other potential aspects of reform appear to have been ignored in considering changes to the overall system. The Child Premium changes proposed will be welcome as a help to those families not in receipt of maximum CTR and who receive either partial CTR or just miss out on CTR.

(5) Any other comments

Whilst a step in the right direction in terms of making Council Tax more progressive, greater attention could have been paid to the regressive nature of the tax linked to Bandings A-D. If the proposals were to represent a true reform of Council Tax then any proposals needed to consider all bandings.

Clarification needs to be given as to the Scottish Government’s proposals for local taxation. The end of the Council Tax freeze is welcomed, but a decision to place a “cap” of 3% is disappointing as it again removes local flexibility and choices available to councils. The “cap”, and a re-distribution of additional revenue through the multiplier changes, means that there is still a significant control exerted by the Scottish Government over the local tax raising powers and decision making of councils. There does appear therefore to be a contradiction of policy between central direction and local empowerment.
Introduction

UNISON is the largest trade union in Scottish public services. Our members deliver services, pay taxes and also have a wider citizenship interest in how services are provided and paid for. We therefore welcome the opportunity to submit evidence to the Scottish Parliament Local Government and Communities Committee regarding Council Tax (Substitution of Proportion) (Scotland) Order 2016.

The funding of local government has been a difficult issue for political parties. At best proposals have been sticking plaster solutions because change is viewed as being politically challenging. However, we simply cannot go on as we are with short-term fixes that damage services and undermine local democratic accountability.

The council tax freeze was supposed to be a temporary measure until a new tax was introduced. We have now been through a nine year council tax freeze, an economic recession and years of budget cuts which are severely impacting on services. Local government has borne the brunt of cuts and authorities have so far responded to the cuts by salami slicing services. UNISON’s Damage reports show that this is already having a severe impact on services. Salami slicing will not be enough to meet the next round of budget cuts and it is clear that current services cannot be sustained on current levels of funding. Local authorities need not only more money but more control over how much money they have.

We understand that introducing new taxes is difficult, winners stay quiet and losers are very vocal, but the point of the Commission on Local Tax Reform was to look at the options and gain agreement to ensure Scotland can move forward. We are therefore disappointed that so far the government has chosen not to either introduce the new property tax the commission recommended or even taken on board the reform of the council tax that the commission explored. The Commission’s report seems, like the Burt Report before it, to be left to gather dust on a shelf.

UNISON will continue to urge the Scottish Government to take measures to provide local authorities with substantially increased funding, a progressive fair local tax and a return of control over a reasonable portion of their own budgets.

Response

1. Overall, do you support the principles of the Government’s plans to reform council tax?

UNISON has called for an end to the council tax freeze since it was introduced and so welcomes its removal. We opposed the freeze because it was regressive,
restricted local authorities’ powers and cut funding for public services. We therefore oppose the principle of the Scottish Government capping any increases. Local authorities are directly elected, responsible to their own communities and must retain the right to control a significant proportion of their own budgets.

UNISON supports the principle of both taxing property and that a property tax is the best fit for local government and is therefore disappointed that the Scottish government is not taking the advice of the Commission on Local Tax Reform and introducing a new fairer tax.

While UNISON believes that a new tax is the best way forward there are ways that the council tax could be reformed which would be more effective than the current proposals. UNISON supports progressive taxation that means the wealthiest paying a greater proportion of tax than the less well off. We believe that if the Scottish government wants to focus on reforming rather than abolishing the council tax then it needs to change the number and size of the bands and the multipliers between the bands, revalue current properties and ensure regular revaluations going forward.

The current system has too few bands and the new proposal will not change that. In particular the top band contains a huge range of properties from £212,001 and above. Introducing extra bands at the top and bottom would make the system much more progressive than the current proposals. There are only about 900 properties in Scotland in a Mansion Tax range, so there is not quite the same opportunity to raise money via the tax in Scotland as for example in London, but adding extra bands would still offer an opportunity to increase tax income and support local services.

Improving the council tax requires a change to the band multipliers. The current system limits how much those with very expensive properties have to pay. A £400K house pays three times as much as a £40K house - not ten times. This means that like VAT, it takes up a bigger proportion of low income households than high.

There is also no plan for revaluation, leaving bills based on property values from 1991. A basic principle of taxation is that it should be based on real values. The Commission on Local Tax Reform found that (without changing the bands) 44% of properties would move up or down a band, 11% would move up or down 2 bands and only 43% would have remained the same. A tax system where 57% of people are paying the “wrong” bill is clearly a problem.

The proposal also involves both limiting overall rises to 3% and using the money raised by changes to higher bands to fund the government’s education reforms. UNISON believes that money raised by local taxation should be spent according to local priorities. Local authorities should be accountable to their own communities for their tax decisions not the Scottish or UK governments.

While we are supportive of the government’s aim to close the attainment gap, ring-fencing money raised by local taxation also contravenes the principle of local control over local taxation. The Government already has its own budget and tax raising powers along with the power to ring-fence the grant settlement. Government should therefore use its own powers to fund its education reforms. As Green MSP Andy
Wightman has argued this could also be a breach of the European Charter for Local Self Government.

2. To what extent will the Government’s proposed reforms make the system of council tax fairer?

UNISON does not believe that the current proposals to reform the council tax go far enough to make it fairer. The current system has too few bands and the top band contains a huge range of properties from £212,001 and above. While increasing the multipliers for the top bands, as proposed, is some progress it is not substantial and still leaves those in a £212,001 home paying the same bill as those in a million pound one. The additional rates for the higher value properties are not substantial enough to ensure that the new tax is progressive. Introducing extra bands at the top and bottom would make the system much more progressive than the current proposals.

The Commission on Local Tax Reform indicated that with a remodelled proportional council tax the tax on highest value homes would need to be 15 times that of the lowest value homes in order to achieve proportionality. So as the SPICe briefing on the government proposals states, these proposals fall short on making the tax a proportional tax. The reformed council tax is still a regressive tax.

When we also look at the impact of changes on authorities’ income and therefore their ability to properly fund services, we also see that there are serious issues with the fairness of the proposals. The model indicates Edinburgh would raise £15.6m while Glasgow, a far larger authority £6.7m and West Dunbartonshire only £1.0m. Councils with less wealthy householders will benefit least from these changes when the aim of progressive proposals should be that those with the least gain the most. Even if councils were able to keep the additional revenue, the amounts and the uneven distribution do not make up for the substantial budget cuts local authorities are experiencing. Cuts on public services impact most severely on those on low incomes as they are both most reliant on public services and least likely to have the means to buy alternatives from other providers.

It is impossible to comment on the fairness of the distribution of any of the funding to “close the attainment gap” until we have more details on how that will be applied.

UNISON believes that the Commission on Local Taxation recommended a much fairer way forward with the new property tax than is proposed in this legislation. Even the Commission’s model of a proportionate council tax is substantially fairer than the government proposals as those in bands A-C would pay significantly less than under current Scottish government proposals and those in higher bands substantially more.

3. To what extent will the changes be straightforward for local authorities to implement?

If the question is “how easy is it to alter the computer systems that send out the bills” then of course this will be relatively straightforward. The wider issue is how the changes will impact on local authority budgets and the services they have to deliver. More information is also needed on how the 3% cap on tax rises will be enforced and
how the £100million will be allocated before anyone can comment fully on the changes. However, given that much of the extra funding raised will be ring-fenced by the Scottish Government, it will be extremely difficult for local authorities to deliver high quality public services.

4. Do you support the Government’s planned changes to the proposed council tax reductions?

So far there is very little detail on the proposal so it’s hard to comment. What we do know is that all means-testing ends up complex, costly and struggles to take account of the complexity and flexible nature of household/family lives. UNISON is also concerned that since the end of council tax benefit any relief for local tax payers is lost income for councils.

Like the distribution of high value properties, different councils will “forgo” different levels of income depending on the population/income mix. Currently councils lose £6.4 million per week or £333.2 million a year through the current relief system. The five authorities with the highest number of Council Tax Relief (CTR) recipients are Glasgow City Council with 93,610 recipients followed by North Lanarkshire 38,560, Edinburgh with 36,270 then Fife 32,480, and South Lanarkshire 31,890. The island councils are at the other end of the table with fewer than 4000 recipients between them. It appears therefore that the plan will impact on the income of councils with most low income people. These people may well find that any savings made on their council tax bills will not make up for cuts in the services they use or extra charges for those services.

Authorities are increasingly turning to charging to replace lost income. Charges now make up almost 7% of council budgets while council tax revenue has shrunk to around 15%. Social work now provides 25% of income from charges that means people with disabilities and the elderly being charged for support. Charging for services is much less fair than even the current council tax as charges often bear no relation at all to wealth. This has been a regressive step.

Further comments

UNISON understands how politically risky introducing a new tax can be. The previous Labour/Liberal administration also shelved an inquiry’s recommendations for a new tax unwilling to go into an election on a promise of higher tax for the better off. On top of the complaints from those who have to pay more, there is widespread lack of understanding about the tax system. No wonder, its complex and you often don’t even know when and how much you are paying. When we look at our pay slips we focus on what we’ve got left. When we buy things with VAT or other duties we only see the total price – not how it’s made up. Council tax on the other hand is an actual bill and even then many people don’t notice that it includes water charges. This makes it a highly visible and therefore for some unpopular tax. Progressive governments must though stand up for and act to protect public services and the people who rely on them. This requires fair and progressive taxation.

UNISON believes these limited proposals do little to deal with the fundamental flaws in the council tax: avoiding revaluation, not adding extra bands and changing the
multipliers between the bands to reflect the real differences in the value of properties.

Tax is a good thing. First and foremost it pays for public services. This means for most of us it saves us money. Most of the services we use would cost more if we bought them ourselves from a private provider because of economies of scale and the fact that money isn’t lost to profit. For those of us who believe in social justice, tax is also good because it reduces inequalities by taxing wealth. Those with more wealth pay more. The provision of services also reduces inequality by giving us access to services like education and health services that many would struggle to access otherwise. Taxes can also be used to modify behaviour, whether of businesses or individuals, so we tax cigarettes and alcohol, but not books. This means those who drink alcohol could end up paying more tax as a person with exactly the same wealth who doesn’t. Working out what’s fair is not straightforward.

The discussion round council tax and fairness tends to focus on the tax itself rather than how it sits in our overall tax system. The fairness of a tax cannot be judged in isolation, but has to be seen in terms of the overall burden it places on tax payers.

Property is a significant form of wealth and as such it needs to be taxed. The next questions are: what is the simplest, fairest and most cost effective way to do that? That is why property is the form of wealth most suited to local taxation. The links are obvious and property is immovable, the yield is predictable and stable - so it is cheap and easy for local government to collect.

While there is plenty of scope for very high earners to pay more income tax, adding extra income tax to ordinary workers is not the best route to a fairer tax system. The OECD indicates that there is an “economic case for a shift away from income taxes …towards consumption taxes and recurrent taxes on residential property”.

Ordinary workers are already paying income tax, adding an extra local tax to ordinary workers would mean that everyone in the house paid extra tax. Given the increasing number of people on zero hours/minimal hours contacts, it would also mean a much less predictable local tax yield for local authorities. If a large local employer closed, income would fall for authorities just when they needed to spend to help those who have lost their jobs.

Setting up a fair property tax and rate that reflects the real values of properties is what will make the system fairer. We also need to design a system for those who struggle to meet their property tax obligations because of low incomes which does not unfairly impact on the budgets of local authorities with disproportionate numbers of low income citizens and deferment opportunities for the small group of property rich, cash poor pensioners.

Conclusion

The funding of local government has been a difficult issue for political parties. At best, proposals have been sticking plaster solutions because change is viewed as being politically challenging. However, we simply cannot go on as we are with short-term fixes that damage services and undermine local democratic accountability.
We've had two inquiries into local taxation in less than ten years, it’s time to stop tinkering and act on the recommendations for a new fair property tax.

Mike J Kirby
Scottish Secretary
UNISON Scotland
Local Government and Communities Committee
6th Meeting 2016 (Session 5), Wednesday 28 September 2016

The Draft Second Climate Change Report on Proposals and Policies (RPP2)
Submission from COSLA

Purpose

1. To provide information on COSLA’s position on Scotland’s carbon reduction commitments, in light of the significant and substantial threat posed to communities by global warming.

Background

2. Climate Change is widely recognised as the most severe risk facing the world’s population today and a huge driver of inequality across the globe. The cumulative impact of rising carbon emissions into the earth’s atmosphere as a result of human activity has led to an increase in global temperatures, resulting in unstable weather patterns and events, with subsequent negative impacts on people and communities. If left unchecked, the situation will continue to deteriorate, leading to increasingly unstable climactic conditions and potentially rendering large parts of the globe uninhabitable, with resultant and inevitable socio-economic migration from the countries most affected. Indeed, some of the recent large-scale migration into Europe has been attributed to this very cause. In efforts to avoid this, countries and global leaders have come together to develop plans to reduce carbon emissions in an attempt to restrict global warming to no more than a rise of 2°C when compared to baseline temperatures. Scientific opinion is that by limiting the increase by this much, the worst of the effects of global warming can be avoided although, crucially, not all. Large-scale behaviour change, technological innovation and co-operation across countries, organisations and communities will be required if this target is to be achieved.

3. In 2007 Scottish local authorities demonstrated clear leadership and a passion for making a difference by voluntarily creating and signing the Scottish Climate Change Declaration (SCCD). This document set out their intent to work across all of their areas of influence in order to drive the behaviour and technological changes necessary in order to reduce carbon emission levels to those required to meet national targets. Since then, emissions directly attributable to council actions and estates have fallen substantially, demonstrating both the commitment of Scottish local authorities and the power of public statements of intent.

4. However, it is not only with regards to directly attributable emissions that councils have played their part. The reach and influence of local authorities across all sectors of Scottish society is unparalleled as their work touches everybody either as individuals or as members of a community. Therefore, public statements and public campaigns led by local authorities have an unprecedented ability to achieve significant transformational change and radically alter behaviours and attitudes across the country. We believe that framing issues locally can be of real
impact when communicating the changes required. Scottish local authorities are consequently in a position to be at the forefront of efforts to reduce carbon emissions and to provide leadership and vision around these efforts.

5. Further, this locally driven approach to identifying and implementing solutions to national issues is a natural outcome of the aims of the Community Empowerment Act 2015 and is exactly the kind of issue which is to be addressed in the Local Outcome Improvement Plans. In addition, it clearly supports the Scottish Government’s intent to adopt the UN’s Sustainable Development Goals, specifically SDG 13 “Take urgent action to combat climate change and its impacts”, and provides a concrete example of how this can be managed in practice.

Tackling Climate Change

6. Overall Scottish ambitions with regards to the policies and procedures required to combat climate change are contained in the Report on Policies and Procedures (RPP) which the Scottish Government is legally required to publish at specified intervals. With the upcoming publication of RPP3, covering the years up to 2032, there is therefore an unprecedented opportunity for councils to firstly engage with the Scottish Government to develop and drive the policies and procedures that will be contained within RPP3 and then to be actively involved in the launch and implementation of this document. Working across sectors, departments and organisations we can clearly demonstrate the power of harnessing local initiatives within the framework of national priorities and illustrate what can be achieved when local and national government work together.

7. Tackling climate change through reducing carbon emissions can broadly be split into two categories. The first, direct, approach is to change existing and future behaviours to ensure that the carbon emissions associated with an activity are reduced. This would include such things as walking to a local destination rather than driving there, reducing the amount of electricity consumed in a building or buying food that has been grown locally. The second category addresses not so much the behaviour but instead uses technology to reduce the carbon emissions associated with that action. So this would include the adoption of low carbon transport, increasing electricity generation from renewable sources or the development of technologies that would ‘capture’ the carbon associated with an activity and then store it somewhere other than the earth’s atmosphere.

8. These two types of intervention can also be divided into those with immediate impact and those whose impact will be felt in the future. There obviously needs to be a balance between the two with the impact of proposed interventions tracking the required emissions reduction pathway necessary to achieve the <2°C target.

9. By its very nature, tackling the causes of climate change has far-reaching impacts across all of society. It requires large-scale behaviour change by each and every person, organisation and community. However, not only do we need to adopt different behaviours to reduce carbon emissions and prevent further accumulations in the atmosphere, we also need to recognise the damage already
done and the subsequent effects which will require associated adaptive
behaviours. Already we are seeing an increase in intensive weather events –
warmer, wetter winters, hotter, drier summers, widespread flooding in some
areas, increased drought in others – which have significant, deleterious effects on
people and communities, disrupting current ways of life and economic activities
and, in some cases, leading to wholesale changes in the ways in which
communities function.

10. Quite apart from the disruptive effect on individuals, communities and businesses
the costs associated with cleaning up after flooding and other weather-related
events can be significant, with the resulting impact on already stretched council
budgets. Flood alleviation schemes and flooding defence projects which are
being proposed to manage the impact of future weather events also require large
amounts of public money to be spent.

Current Situation

11. Scotland has been leading the way in developing approaches to managing
climate change, including passing the Climate Change (Scotland) Act 2009 which
enshrines in law mandatory targets for carbon emissions over the period to 2050.
The overall target is an 80% reduction by 2050 with an interim goal of 42%
reduction by 2020. The means by which these targets will be achieved are set
The current document, RPP2, sets outs the intended activities for the period 2013
– 2027. The Scottish Government is required by the Climate Change Act to
publish RPP3, covering the period from 2028 – 2032 by the end of 2016. As
already noted, the activities contained in the RPP documents necessarily range
across all aspects of Scottish society and so, by extension, will be of
consequence and of interest to all of COSLA and local government.

12. The forthcoming targets for 2028 – 2032 are informed by the advice provided by
the Committee on Climate Change (CCC) contained in their report published in
March 2016. The main points contained in this document include;

- A recommendation that the existing targets for 2017 – 2027 are revised, to
take account of changes to the baseline figures as a result of improved
calculation and data collection methodologies.
- Substantial increases in the amount of wind generation capacity and other low
carbon generation sources.
- The creation of 2.6TWh of low-carbon heat networks together with additional
roll-out of low carbon heat sources for individual buildings.
- Further installation of fabric efficiency and heating controls across the majority
of Scottish buildings.
- A combination of new, highly efficient vehicles together with increased uptake
of electric vehicles
- Substantial reductions in travel miles undertaken by car

The CCC acknowledges that the targets recommended are ambitious and go
beyond those proposed for the UK as a whole. This is in part driven by
Scotland’s more ambitious interim target. They also note that following the
advice will require a reduction of 47% in carbon emissions by 2020, which is
greater than the 42% contained in the legislation. This advice was subsequently
capsulated in the SNP Manifesto for the Holyrood Election which contained
plans for a new Climate Change Act, with a 50% reduction by 2020 target,
building on the permission from the CCC to revise existing targets. The
Manifesto also made reference to a number of other actions with either direct or
tangential impact on carbon emissions such as tree planting, energy efficiency of
homes and active travel plans. These commitments are now contained within the
Programme for Government.

COSLA Position

13. A paper was previously taken to COSLA Leaders in November 2015, outlining
the proposed framework and principles that would inform our approach and input
to RPP3. These principles are summarised below.

- The need to focus on delivering outcomes.
- The need to be clear on the difference between those policies and proposals
  which can have immediate, short-term impact and those which will take much
  longer to implement and become effective.
- The need to address issues around energy demand management as well as
  supply.
- The need for all future approaches to be genuinely cross-cutting across all
  areas of government and truly integrated into the Scottish Government’s
  approach to policy development.
- The need for clear management and reporting of progress towards
  implementing these policies and proposals.
- The need for local government to be empowered to define and deliver projects
  at a local level whilst remaining true to the national framework and approach.

14. Additionally, as noted previously during the development of RPP1 and RPP2,
there are significant funding (~£8bn) and systemic challenges associated with
achieving the existing (never mind the revised) reductions targets. Whilst we are
profoundly supportive of the attempts to significantly reduce carbon emissions
across the country in an effort to limit global warming, we are clear that these
attempts must be adequately supported and financed if they are to be
successfully implemented.

15. Efforts to tackle climate change will impact across the full range of Scottish
society and Scottish communities, as noted previously. Therefore, the likely list
of activities and approaches to be implemented in the bid to cut carbon emissions
will reach across all of local government and the public sector. However, we
understand the Committee is interested in housing and energy efficiency which is
the focus of the next section of this paper. COSLA representatives at the
Committee on 28 September will be able to expand on this information.

Energy Efficiency and Fuel Poverty

16. Local government across Scotland is actively engaged in the full range of home
energy efficiency programmes. It is the main delivery platform and has been
performing very well, with associated benefits to carbon reduction and fuel poverty.

17. The biggest challenge to continued progress arises from pressure on available financial resources, especially in view of the decreasing level from the UK funding framework (energy company obligations etc.). The move to a new Scottish instrument is very welcome and must be fully exploited to help with continued progress.

18. Councils’ own ability to finance energy efficiency improvements in their domestic housing stock has been significant, but is also limited, unless we accept rent rises above the LHA (local housing allowance) level. However, this would have significant impact on the less well-off generally, and welfare recipients in particular, who would struggle to afford such increases. It would also reduce rent collection levels, with a negative impact on local authority housing budgets. In addition, there is pressure on Council’s housing budgets to help meet the Scottish housing target of 50,000 new homes.

19. Looking towards the future, it is vital that there is a clear strategic approach leading towards long-term (multiannual) funding framework for all energy efficiency programmes, developed in strong partnership between the Scottish and local government. The Scottish Government’s SEEP programme (Scotland's Energy Efficiency Programme), which is the principal home energy efficiency programme for the next 15-20 years, offers a good framework and COSLA is working closely with the Scottish Government on this.

20. The programme’s task for improving all of Scotland’s housing stock and reaching all occupants is considerable. To make this a reality we need to maximise and align resources at all levels and identify any synergies and joint aims & objectives, allowing at the same time flexibility for local understanding and circumstances.

21. COSLA is regularly engaged with the Scottish Government’s energy efficiency and fuel poverty agenda, through membership of the Scottish Government’s Fuel Poverty Forum, and by actively working with the Scottish Government on the full range of energy efficiency programmes of relevance to local government: EESSH (Energy Efficiency Standard for Social Housing), HEEPS/ABS (Home Energy Efficiency Programme Scotland/Area Based Schemes) and REEPS (Regulation of Energy Efficiency in Private Sector Homes).

22. COSLA is also actively engaged in developing the new Scottish Government SEEP programme (Scotland’s Energy Efficiency Programme), which will run for around 15-20 years with a commitment to improve every building in Scotland. We have two representatives on the Scottish Government’s SEEP Governance Group and have created a COSLA reference group to support this work, which draws expertise from across the local government family (housing, planning, sustainability, economic development, SOLACE etc.).
EESSH - (Energy Efficiency Standard for Social Housing)

23. Preliminary Charter results for 2015-16 show that local authorities delivered extremely well on EESSH, in spite of the absence of external funding sources, the availability of which the target was set on.

24. Data on EESSH compliance was collected for the first time this year. The data supplied show the percentage of stock meeting EESSH, at around 68%. The programme of bringing stock up to EESSH is around 3% per year. Councils drew in only 6% from public subsidy. Other sources, principally energy suppliers, only funded 4%. The bulk of work was funded by Councils’ own financial resources.

25. This contrasts with the 2014 impact assessment of EESSH, which anticipated that the funding required to achieve EESSH (apart from "business as usual" upgrades) would come from ECO as well as other Scottish and UK Government-supported energy efficiency schemes.

26. This leaves councils with a significant funding shortfall, which needs to be fully addressed in the forthcoming EESSH review, if the EESSH 2020 target is to be met.

SEEP - (Scotland’s Energy Efficiency Programme)

27. Local government will continue to influence the programme design through our presence on the SEEP Governance Board, focussing on a cooperative and partnership approach. We believe that the programme will be most effective, were Scottish Government and individual councils’ aims and objective are aligned. A challenge funding approach to improving Scotland’s housing stock could result in a piecemeal approach with lack of strategic focus and lack of alignment of resources. We believe that instead there is a need for the Scottish Government, local government and relevant partners to develop a joint vision, based on what best contribution all partners can bring to the table.

28. We will continue the COSLA SEEP Reference Group, and for this group to provide its expertise and best input in the SEEP Governance Board.

HEEPS/ABS - Home Energy Efficiency Programme Scotland/Area Based Schemes)

29. Local Government has also been delivery well on this scheme. Area based schemes were identified in 2012/13 as the most effective form of intervention for increasing energy efficiency and reducing fuel poverty, with associated benefits for area regeneration. Local authorities are well placed to identify concentrations of fuel poor and badly insulated housing.

30. The area based approach offers value-for-money and considerable savings through economies of scale. The needs-based approach to the scheme (rather than challenge funding), was crucial in allowing councils to fully utilise this scheme and create economies of scale. Annual funding frameworks offer changes, but we hope that this will be addressed with a transition towards the new SEEP programme.
Fuel Poverty

31. The Scottish Government has a statutory duty under the Housing (Scotland) Act 2001 to ‘ensure, so far as reasonably practicable, that people are not living in fuel poverty in Scotland by November 2016’. It is now widely accepted that the Scottish Government’s Fuel Poverty target will not be met.

32. A new approach is being considered, with a shift of focus away from the energy efficiency of buildings, to the individual in poverty, and the help they require.

33. We welcome the general direction of this new approach, with a shift towards a more person-centred approach and local delivery. We particularly welcome:

- The proposed outcomes-based approach to the definition of fuel poverty;
- The shift towards a person-centred rather than buildings-focused approach;
- The general approach of focusing service delivery at the local level and with local partnerships – particularly Community Planning Partnerships.

34. We also believe that local authorities need to have a strong role in any governance arrangements and that before any new fuel poverty target is set, it is necessary to undertake a scoping exercise of what the bodies tasked with local delivery can realistically achieve within defined resource and timescales.

Conclusion

35. This paper provides a summary of COSLA’s work on climate change. It picks out specifically work on energy efficiency, housing and fuel poverty and provides information on our position as we build towards RPP3.

36. RPP3 will detail both the strategic direction and the specific projects which the Scottish Government intends to undertake in order to achieve their ambitious climate change targets. Given the highly consultative approach which we expect them to adopt, there is a significant opportunity for local government to influence these policies and proposals and ensure that they are both fit for purpose and recognise and properly use the influence and reach of local government. With this in mind we look forward to assisting Scottish Government and Parliament on RPP3 and on future climate change legislation.

COSLA
September 2016
Local Government and Communities Committee

6th Meeting 2016 (Session 5), Wednesday 28 September 2016

The Draft Second Climate Change Report on Proposals and Policies (RPP2)

Submission from the Sustainable Scotland Network

Sustainable Scotland Network and Keep Scotland Beautiful

The Sustainable Scotland Network (SSN) supports public sector action on sustainable development, with a significant focus on climate change. Having developed as a local authority officers’ network, SSN’s remit was extended to the wider public sector in 2012 to reflect the scope of the Public Bodies’ Climate Change Duties in the Climate Change (Scotland) Act 2009. The network now has members in most public sector ‘major player’ organisations – including the five key sectors of local government, universities and colleges, the NHS, Regional Transport Partnerships and national agencies/NDPBs. The Scottish Government provides funding to Keep Scotland Beautiful (KSB), one of Scotland’s leading environmental charities, to manage and develop the SSN, and the SSN Steering Group guides the SSN programme. More on SSN can be found at www.sustainable-scotland.net.

RPP2 and Public Bodies Climate Change Duties Reporting

Presenting evidence to Rural Affairs, Climate Change and Environment Committee in 2014, SSN spoke about the important role that coordinated and consistent reporting would play in strengthening climate change action by the Scottish public sector. November 30th 2016 is the deadline for the submission of the first mandatory climate change reports under the new reporting system. SSN sees this as a significant step in the evolution of the public sector’s work on climate change. The information gathered from reports can be used to monitor progress of the local authority response to climate change. Furthermore, data could be used to identify gaps in implementation of RPP policies.

Public Bodies’ Climate Change Reporting includes mandatory sections on Strategy, Governance and Management, Corporate Emissions and Procurement, all of which are useful for tracking local authority action on emissions reduction.

There is also a non-mandatory section on ‘wider influence’, where public bodies are encouraged to report actions that also contribute to emissions reduction. Local authorities in particular have a vital role in implementing action to reduce emissions. Their influence on local area-wide emissions can be of far greater value than their action to reduce their own ‘corporate emissions’. SSN has supported local authorities to make better use of DECC local authority area emissions datasets and to align RPP2 policies and proposals with the development of local area-wide climate action plans. This work includes providing support for the development of Sustainable Energy Action Plans (under the auspices of the international Covenant of Mayors scheme).
The national Climate Change Plan/RPP should provide the route-map to inform local area-wide climate action plans, and annual Public Bodies Duties Reports should provide regular updates on the design and impact of policies and measures. SSN would encourage further vertical alignment between RPPs (and Scotland’s Climate Change Plan), local authority initiatives on area-wide emissions, and the evolution of ‘wider influence’ reporting.

Additionally, more could be done to improve horizontal alignment across sectors – public sector organisations, community groups, businesses, third sector organisations etc – at local level to scale up the impact of emission reduction policies and measures.

**Report on Policies and Proposals 2 (RPP2) and The Climate Change Plan**

SSN members have been engaged in the development of RPP2 from the early stages of the report, and the network continues to use the document as a means to plan its work programme. In reflecting on the report, there are a number of observations to be made:

- While the raft of proposals and policies outline in RPP2 was considerable, our local authority members found a lack of clarity as to how or by whom these were to be implemented. This resulted in a disconnect between the report and the work programmes of SSN members across the local authority sector. SSN recommends that The Climate Change Plan (CCP) takes on the delivery-focused structure of an operational plan, outlining what is to be implemented, where and by whom. Such an approach would not only lend itself to clarifying roles, responsibilities and expectations for local authorities, but would also assist practitioners in gaining traction for the climate change agenda within their organisations.

- SSN also sees considerable potential for a model whereby local authorities were given further autonomy to develop regional/local solutions to achieve high level objectives. The CCP could set overall goals to be achieved by all public sector organisations in relation to climate change. However, mindful of the expertise and position of local authorities as leaders in their Community Planning Partnerships and having key relationships with communities and other sectors, a degree of autonomy would need to be granted to local authorities to determine the best course of action in pursuance of climate change goals. This approach would rely on an expectation that local authorities would need to be able to prove that such measures were in fact being planned and implemented. Here again, annual Public Bodies’ Climate Change Duties Reporting could be developed as the key monitoring mechanism linking national plans with local delivery.

- The potential of climate change proposals and policies is weakened when they are not aligned with other policy objectives. In specific, planning policies (as outlined below) could certainly lend momentum to mitigation and adaption activity. Furthermore, economic development and investment strategies (e.g. City Deal initiatives) should be framed within the context of climate change. The CCP can help with this high level alignment, the ultimate goal being that
local authority policies and proposals work better together to achieve Scotland’s emissions reduction targets, while also delivering co-benefits on other strategic objectives such as economic development, social justice and public health.

- RPP2 acknowledges the important role of behaviours and the importance of supporting changes in behaviours towards low carbon options and solutions. This has also been recognised by the Committee on Climate Change in its reviews of Scotland’s progress. SSN has been working with Scotland’s public bodies to promote the use of the Scottish Government’s ISM (Individual, Social, Material) framework and analytical tools, to better understand behaviours and to improve the design and implementation of climate change policies and projects. ISM can be used at a range of scales in the policy making process and can help optimise the design and implementation of policies and projects. SSN would encourage a more thorough integration of ISM use in the development of the RPPs, including the forthcoming Climate Change Plan.

**Local Authorities and Planning**

SSN local authority members variously work in spatial planning or in collaboration with their local authority planning colleagues. Sustainability practitioners recognise the huge potential Planning has to effect programmes and policies around climate change adaptation and mitigation.

Whereas RPP2 is cited as a Key Document in Scottish Planning Policy (2014) and ‘RPP3’ is included in a timeline of significant documents in Scotland’s Third National Planning Framework (NPF) 2015, RPP2 (and local initiatives such as Sustainable Energy Action Plans) have not been seen to easily interface with NPF3. There is a feeling that this kind of shortcoming represents a real missed opportunity to align planning and climate policies.

There are a number of tools and processes which could be amended or utilised specifically to deliver climate change adaptation and mitigation objectives. For example, the Local Development Plan structure is well placed to focus on medium to long term outcomes but at present primarily impacts on preparedness and reactive measures to flooding\(^1\). Similarly, Strategic Environmental Assessment (SEA) could be deployed as a means to ensure policy coherence between the Climate Change Plan and land use planning.

Many of the barriers and opportunities relating to planning and climate change could readily be addressed by applying the ISM (Individual, Social, Material) behaviours analysis approach. From the individual skills of planners and elected representatives to the social values of planning authorities (political involvement, influence of developers, prioritisation of policy drivers), the role of the Scottish Government ‘Reporter’, the professional standards espoused by the RTPI, and material factors such as finance and staff resourcing at local authority level. The ISM approach to

this would unlock the huge potential in the planning infrastructure to further contribute to climate change progress.

**Sustainable Scotland Network and Keep Scotland Beautiful**

Cross sectoral collaboration is of the utmost importance, especially given a reduction in resources across the public sector. SSN’s role as a pan-public sector national collaborative network, supported by Scottish Government and involved over 250 members from all ‘Major Players’ is a key asset to be maintained and invested in. SSN also benefits from having been immersed in the development of the Public Bodies Climate Change Duties Reporting system and Scotland’s Climate Change Declaration for its inception. The network’s involvement has culminated in the publication of a report on the analysis of the trial year of reporting in 2015. The SSN work plan includes a commitment to undertake reports’ analysis again this year.

Keep Scotland Beautiful’s role in coordinating SSN, along with its parallel work with communities (Climate Challenge Fund and Beautiful Scotland) and schools and young people (Eco Schools and Young Reporters for the Environment) lends itself very well to supporting and developing cross sector collaboration, public engagement and policy alignment.

**SSN Conference 2016 – Looking Out to the 2030s**

SSN has aligned the content of its annual conference with the early stages of the engagement process on the Climate Change Plan. Up to 300 delegates, including many local authority representatives, will gather at the conference on November 1st in Glasgow. This year’s conference theme is ‘Pathways to 2030: Public Sector Climate Action’ and reflects the network’s interest in the development of the Climate Change Plan which will constitute a Scottish roadmap for work on climate change up to 2030. The event constitutes an important component of the Scottish Government’s engagement process on the CCP, and we expect that, in line with our members’ engagement in the past, the event will garner constructive and considered feedback on the direction of travel of this key document.

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For further information, please contact:

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Keep Scotland Beautiful
Local Government and Communities Committee

6th Meeting 2016 (Session 5), Wednesday 28 September 2016

The Draft Second Climate Change Report on Proposals and Policies (RPP2)

Submission from Stop Climate Chaos Scotland

Overview

- While Scotland has now made a 46% reduction in emissions in comparison with the 1990 baseline, much of this progress has been from the electricity and waste sectors.
- In the housing sector, emissions have fallen by less than 0.8% per year, once a temperature adjustment is made. With the poor energy efficiency of Scotland’s housing stock, climate change emissions remain at the whim of winter weather.
- A lack of monitoring and transparency in the RPP2 makes it difficult to evaluate progress against the emissions reductions and policies envisaged. However, the new Climate Action Plan can address this, and is off to a good start with the use of an energy model.
- More than 80% of the existing housing stock will still be lived in in 2050, when Scotland’s current final emissions targets must be reached. Improving the energy efficiency of the existing housing stock must therefore be a priority, and more than 50 organisations are calling on the Scottish Government to set an objective of supporting all homes to reach at least a ‘C’ EPC rating by 2025. This would create up to 9,000 jobs spread across the nation.
- Both the RPP1 and RPP2 included an expectation that the Scottish Government would introduce regulations for minimum standard of energy efficiency in the private sector. This introduction has been delayed, and energy efficiencies in this sector are lower on average than all others, in contrast to the social-rented sector, where regulation has been introduced and ratings are now the highest of all sectors.
- Heat demand accounts for half of Scotland’s energy usage, but under current rates of progress Scotland will not achieve the levels of renewable heat penetration that was envisaged by the RPP2.
- A number of policy changes at the UK level have removed, or reduced in scale, policies that were included in RPP2. The next Climate Action Plan will have to overcome the uncertainty that exists at UK level.
Background

Scotland recently received the excellent news that a 46% reduction in emissions against the 1990 baseline had been achieved, as well as the news that for the first time an annual target (expressed in megatonnes) had been hit. This news travelled around the world, highlighting Scotland’s ambitions and achievements to date – it’s something people across the nation should be proud of. It was also a clear demonstration that it’s possible to cut emissions whilst also building a progressive and productive society. However, Scotland’s progress to date has been largely based on progress in reducing emissions from the electricity sector.

In terms of the policy areas that the LGC Committee has responsibility for, housing is the most significant contributor to Scotland’s climate change emissions. Residential emissions accounted for 13% of Scotland’s total emissions in 2014. It is also an area where Scotland has made relatively little progress in reducing emissions. Once adjustments for temperature are made, emissions have fallen by less than 0.8% per year in the residential sector since the Climate Change Act was introduced in 2009. Whilst there have been some welcome improvements in the energy efficiency of Scotland’s buildings (discussed further below) the poor energy efficiency of Scotland’s housing stock continues to mean that climate emissions from the domestic sector can vary wildly from year-to-year, dependent on winter weather. With improved energy efficiency, this variability would be engineered out of the system.

Problems with the RPP2 – implications for new Climate Plan

Unfortunately the RPP2 never had a monitoring or evaluation process set up for it. This makes it difficult for any stakeholders to effectively understand whether all the measures proposed in the RPP2 have been delivered and whether they have achieved the emissions reduction levels envisaged. At the time of the publication of the Draft RPP2, Stop Climate Chaos Scotland wrote in evidence to the ICI Committee (the predecessor to the LGC Committee):

“Rather than providing greater transparency of data, the draft RPP2 provides less information than the first RPP. It no longer distinguishes between UK, EU and Scottish policies as clearly as did previously, nor does it provide estimates of costs for proposals as the original report did. This lack of information will frustrate future attempts to scrutinise the budget against the requirements of RPP. In a number of cases, proposals are described in vague catch-all terms such as ‘Lower emissions potential in transport’, but no explanation is provided as to what this proposal would

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mean in practice. This has the effect of attributing significant carbon savings to poorly defined statements of possible future activities.\(^2\)

For example, the housing section provided a very vague proposal of “additional technical potential through improvements to the carbon efficiency of the housing stock”, delivering up to 210,000 tonnes of CO2e emission reductions. The RPP2 did not make it clear how this emissions reduction would be achieved, referring only to technological changes.

The upcoming Climate Action Plan (RPP3), which the Scottish Government has said will be published in January 2017, provides the opportunity to correct for these issues. The action plan is already off to a good start, being supported for the first time by the development of an energy model of the Scottish economy (The TIMES model). This model should provide a much more credible approach to the Climate Action Plan development, identifying which sectors will need to deliver which emissions reductions for climate targets to be achieved at lowest cost/highest benefit. This is, at least in theory, an improvement on the previous approach which allowed sectors to fail to pull their weight – for example in the last RPP there were no domestic level policies for the transport sector.

As the independent advisors to the Scottish Government on climate change said in their recent progress report, the forthcoming Climate Action Plan must have ‘specific, outcome-focused and measurable’ policy outcomes in it, as well as delivering on the stronger policies that are needed, if future targets are to be met.

**Progress in housing: Scottish energy efficiency programmes**

In 2050 (the current deadline for Scotland’s main climate change target), 80% of existing homes will still have someone living in them. This means that, in order to meet climate change targets, the primary focus must be on improving the energy efficiency of the existing housing stock. If the approach is solely about new homes, then this will be insufficient to meet our climate change targets.

In RPP2, Scottish area-based and national schemes to refurbish existing homes were due to deliver 207,000 tonnes CO2e emissions reductions by 2020. Because of the lack of regular reporting of progress against the RPP, it is difficult to know whether these particular policies have indeed delivered these levels of emissions reductions. However, these are widely recognised as having been popular and successful schemes that have through their area-based approaches resulted in significant numbers of improvement measures occurring.

Since the RPP2, the Scottish Government has designated the improvement of energy efficiency as a national infrastructure project. However, little detail so far has emerged about what this will mean in practice. Stop Climate Chaos Scotland would like to see the Scottish Government adopt an objective for the domestic sector of all homes being supported to reach at least a ‘C’ EPC rating by 2025. Setting such a long-term objective for the project is critical, as it creates a long-term approach, providing business and investor confidence about continued investment, for example enabling supply-chain investment.

Setting an objective of supporting all homes to reach at least a ‘C’ EPC rating is a goal that is supported by more than 50 organisations. It would also create up to 9,000 jobs, spread around the country, and deliver a cost benefit ratio of 2:1. It would also help reduce fuel poverty, save the NHS money and increase Scotland’s energy security. WWF Scotland has said that a C by 2025 objective is the minimum that is consistent with achieving Scotland’s climate change targets.

A scaling-up of approach will require increased public sector investment. The Existing Homes Alliance Scotland estimates that £450m per year on average is required between now and 2025. The forthcoming Scottish budget must increase investment in energy investment, consistent with the goal of supporting all homes to reach at least a ‘C’ EPC rating by 2025. Equally, this project does not solely require public sector investment. For example, the use of regulation can leverage significant levels of private sector investment, as would the use of subsidised loan facilities. The Existing Homes Alliance estimates that more than £6bn could be leveraged from private sources in pursuit of an objective of C by 2025.

Progress in housing: regulation of minimum standards of energy efficiency of existing homes

The RPP2 detailed plans to introduce minimum standards of energy efficiency for the social housing sector (it became known as Energy Efficiency Standard for Social Housing or EESSH) and, secondly, plans to consult on and introduce minimum standards for the private sector (both private-rented sector and owner-occupied). Together these standards were due to deliver 63,000 tonnes of CO2e emissions reductions by 2020 in the RPP2. The plans for the social rented sector have been taken forward, but the consultation on the private sector was delayed and have not yet been introduced. The consequences are contrasting – the social housing sector now has the highest average energy efficiencies of all housing sectors, whilst the private-rented sector has the lowest average.

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The RPP2 detailed public support for a consultation on minimum standards for the existing housing stock, proposing a timetable of introducing standards in 2015, timetabled to take effect from 2018. This was to make use of powers originally legislated for as part of the Climate Change Act in 2009. When the RPP2 went through Parliament, Stop Climate Chaos Scotland cautioned against delay in introduction, as early implementation would help to drive demand for the Green Deal and ECO schemes. In spring 2015, the Scottish Government cancelled plans to consult on minimum standards, despite having developed plans with an advisory group. The recent Programme for Government re-stated plans to consult later in this parliamentary year. However, this is clearly an example of an important measure from the RPP2 that has not been taken forward on the timescale originally envisaged, and will not therefore deliver the emissions reductions on the timescales envisaged. The introduction of minimum standards in the private sector had also been included in the RPP1.

With a consultation ready to be published, the Scottish Government should not delay further, and should seek views as early as possible. It is now 7 years since the Climate Change Act gave the Scottish Government powers to regulate for energy efficiency in the private housing sector.

**Progress in Renewable Heat**

Heat demand is responsible for half of all of Scotland’s energy usage. The RPP2 anticipated that 100,000 homes would have renewable heating devices installed by 2020. In 2016, less than 30,000 homes were renewably heated. The current rate of installation through the Renewable Heat Incentive is approximately 5,000 per year. Therefore it currently seems unlikely that the 2020 target for renewable heat installations will be reached. In its manifesto for the Scottish Parliamentary elections, SCCS called for the introduction of a Warm Homes Act to rapidly increase the rate of installation of renewable and district heating in Scotland. The RPP2 included the development of a Heat Generation Policy Statement. Whilst the HGPS included ambitious targets and good preparatory measures, such as support for research and innovation, it fell short in providing strong policies that would support increased take-up of renewable heat technology by households.

**Progress from UK Government measures**

The RPP2 relied on UK Government measures for emissions reductions in a number of areas. Several of these measures have subsequently been cut in scale through

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4 Regulation of Energy Efficiency in Private Sector Homes (REEPS) working group

5 According to an estimate by WWF Scotland

decisions of the UK Government. Examples include, the Green Deal which was effectively scrapped in 2015, the budget for the Energy Company Obligation being reduced by 40% and major reductions to the non-domestic Renewable Heat Incentive. The next Scottish Government Climate Change Action plan will need to overcome the ongoing uncertainty about how the UK Government will meet its climate change targets, and the extent to which it will use UK measures as opposed to England-only approaches and measures.
Local Government and Communities Committee
6th Meeting 2016 (Session 5), Wednesday 28 September 2016

The Draft Second Climate Change Report on Proposals and Policies (RPP2)

Submission from the Energy Saving Trust

Local Government and Communities Committee - session on the outcomes of RPP2

Thank you for providing the opportunity for the Energy Saving Trust to provide evidence to the Committee’s one-off session on the outcomes of RPP2 on 28th September. I am very much looking forward to the session. As requested please find following a written submission that summarises the Energy Saving Trust’s views on the outcomes of RPP2. It begins by providing a brief introduction to the Energy Saving Trust and our work.

Energy Saving Trust is the leading, impartial sustainable energy organisation. We work on behalf of governments and businesses across the UK providing services in the area of data, assurance, grant and loan administration, consumer engagement and advice.

In Scotland the Energy Saving Trust is a principal delivery partner of the Scottish Government for home energy efficiency. We run comprehensive local and national advice and support programmes. Public engagement on energy is at the heart of our work. In total each year the Energy Saving Trust handles just under half a million energy efficiency advice calls on behalf of UK and Scottish governments. Energy Saving Trust has a unique relationship with the public around energy saving and renewable energy and our evidence below reflects that.

First of all we would like to highlight that Scotland in many ways already leads the way in the UK in terms of action to improve home energy efficiency and as an organisation delivering activity across the whole of the UK we have first-hand experience of this. Evidence also suggests that Scotland is leading the UK on climate change delivery more generally with the Committee on Climate Change’s recent report on Scotland’s progress towards meeting emission reduction targets highlighting that Scotland is performing well, “especially compared to other countries in the UK and the UK as a whole.”

Our written evidence focuses on the specific policies and proposals for homes and communities outlined in the RPP2, it then makes some general comments related to our original response in 2013 that don’t fit comfortably within discussion about specific policies.

Our comments on the specific policies and proposals for homes and communities outlined in the RPP2 are as follows:

- **Smart meters.** While policy responsibility for the roll out of smart meters sits with the UK Government, the Scottish Government has been supporting
Energy Saving Trust to undertake work that will ensure that savings in the household sector as a result of the smart meter roll out will be maximised. The increased level of information provided by smart meters and associated in home displays (IHDs) about household energy use is only likely to be useful to householders if they understand what this information means, how to use it and how to adapt their behaviours as a result. Use of smart meter data will allow us to see the energy consumption levels and patterns for a customer, which will represent a step-change in the ability of the Home Energy Scotland (HES) network to influence behaviour change regarding energy use by providing frequent, individually tailored advice. We believe that independent advice, driven by smart meter data, has an important role to play in helping households to understand, control and reduce their energy consumption.

- **Domestic Building Energy Standards - New Build Properties.** We welcome the continued downward trend in emissions from new build as a result of tighter building standards and would like to see the Scottish Government continue on the pathway laid out in the Sullivan report. In this context it is important to remember that every new home that is built in Scotland adds to Scotland’s overall CO\textsubscript{2} emissions, and new homes will be built every year between now and 2050 – so the cumulative impact of their emissions will not be negligible.

- **Renewable Heat Incentive (Domestic) and low carbon heat.** Progress on renewable heat has been an area of significant concern among decision makers, government advisors and industry: this is one of the reasons the RHI has been reformed and refocused. The Scottish Government should be congratulated on its activity to promote and encourage take up of the RHI (together with FiTs and ECO) in Scotland. However, it is clear that the Scottish Government should be seeking to ramp up its activity with more ambitious incentive schemes and a stronger central government commitment – longevity, stability and a well-evidenced and realistic policy pathway are key to support a thriving renewable heating sector. It is also important to note that district heating is a key part of the renewable heat agenda and in this context we support a positive regulatory environment for district heating.

- **Energy Company Obligation and Green Deal** Since the publication of the RPP2 there have been two notable changes to UK energy efficiency policy that have significant implications for Scottish energy efficiency policy, these are:
  - The end of UK government support for the Green Deal Finance Company – UK government support for the GDFCo ended in 2015.
  - A reduction in the scale of the Energy Company Obligation (ECO) - at the Spending Review the Chancellor revealed that the next phase of ECO (post 2017) will be a much less ambitious programme and run for five years. BEIS has announced that 2017-2018 will be a transition year. The longer term changes will come into effect in 2018 and are going to be consulted on early next year, we know already that ECO will be entirely focussed on fuel poor households however. The overall budget is being reduced to £640m a year, roughly a 40% drop in funding compared to current spending.
These policy changes reduce the amount of money available to Scotland to improve the energy efficiency of its housing stock and to meet relevant targets – the EESSH target for example was set in the context of likely available funding including that from ECO. We understand that the Scottish Government is looking closely at finance as part of its wider work to develop Scotland’s Energy Efficiency Programme (SEEP) which will begin in 2018. This is important. There needs to be sufficient access to finance to ensure the necessary scale of energy efficiency improvements in the household sector.

We believe that the pay-as-you-save approach should not end with the Green Deal finance company and that an offer needs to be in place for the nearly fuel poor in particular. This will then allow private sector finance to be unlocked to help pay for energy saving measures which will complement available Scottish Government funding.

- **Home Energy Efficiency Programmes Scotland and Warm Homes Fund.**

  While Scotland, in many ways, already leads the way in the UK in terms of action to improve home energy efficiency, and existing energy efficiency programmes have been largely successful – there is now a need for a radical rethink (drawing on successful elements of existing approaches together with new, innovative approaches) of how energy efficiency programmes are funded and delivered to ensure delivery at the necessary increased scale and pace to meet climate change targets.

  The designation of energy efficiency as a National Infrastructure Priority and the proposed new Scotland’s Energy Efficiency Programme provides the perfect opportunity to do this. It presents an opportunity to develop both a short and long term (2050) policy framework for housing energy efficiency, together with a roadmap for energy efficiency, showing how every home and community in Scotland needs to change over the next 35 years.

- **Regulation of Private and Social Housing**

  We continue to support the introduction of regulation in the private sector and the continuation of regulation in the social sector. We are pleased that the Scottish Government has committed to consult on the regulation of private rented sector housing and on phased regulation of other existing buildings. However, we would ideally like to see the regulation of other existing buildings happen at the same time as the private rented sector and in a non-phased way. We are concerned that without this approach there will not be sufficient numbers of energy efficiency measures being installed to allow the housing sector to play its full role in helping to deliver Scotland’s climate change targets.

- **Additional technical potential through improvements to carbon efficiency of the housing stock.**

  One of the concerns that we raised about the RPP2 was that a considerable amount of abatement would be delivered by policies that had not yet been defined. This is still a concern and we believe that further work should be undertaken to define the policies that will deliver savings in the housing sector. One example of a new approach that

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1 A Plan for Scotland – The Government’s Programme for Scotland 2016-17, 6th September 2016
could deliver additional savings from the housing sector is the Energiesprong approach which is being taken forward in Holland and focuses on refurbishing homes to a net zero carbon standard. Energiesprong is a whole-house approach to insulating homes that essentially involves wrapping–up the home’s external walls for maximum thermal efficiency and installing small-scale renewable systems to generate the electricity the home needs. It’s a unique approach since it’s a modular build with the external wall cladding produced off-site and then delivered in sections. The financing mechanism is also innovative. Within the social housing sector in Holland the Energiesprong model works by replacing the bill that the residents would have paid to the energy companies with an Energy Plan (that costs the household no more than the bill that was previously paid to the utility) that is paid to the housing provider.

Current policies to improve homes in Scotland focus on improving them in an incremental way, and indeed this appears to be the way that future policy interventions are also being considered\(^2\), and while not all properties will be able to be refurbished now to meet a net zero carbon standard, some will – and this implies that we need a two pronged policy approach – to improve the energy efficiency of some properties on an incremental basis (as outlined above) in the knowledge that additional interventions will be required in the future, and to start the process of bringing some homes up to a net zero carbon standard. We note that Energiesprong\(^3\), is already delivering net zero carbon retrofits in the Netherlands, and that this approach is also being explored at a UK level\(^4\).

In our original 2013 response to the Committee we noted that greater consideration should be given to whether assumed savings are actually delivered in practice. This comment still holds true. We believe that there needs to be greater consideration of whether assumed savings are actually delivered in practice. Given that savings from solid wall insulation will now make up a larger and larger proportion of CO\(_2\) savings from the housing sector we believe that this is an area where particular attention should be focussed. Specifically, research should be undertaken to be able to provide clear advice on the energy saving impacts of solid wall insulation, and indeed of the energy performance of different types of solid wall before insulation – particularly in the Scottish context. We understand that some work in this area is now being undertaken by the Scottish Government and this is a welcome start.

We would also like to see a commitment and timeframe for post occupancy testing of homes to ensure they meet the energy standards of the Building Regulations, and do in fact deliver the CO\(_2\) savings that they are expected to. Clearly without such monitoring there is the possibility of “booking” carbon savings in policy terms which are not actually realised in practice. The roll-out of smart metering could help here.

\(^2\) For example, the recent announcement that accompanied the designation of energy efficiency as a National Infrastructure Priority highlighted that the programme that the cornerstone of this would be a ‘new programme [that] will provide an offer of support to all buildings in Scotland – domestic and non-domestic – to help them achieve a good energy efficiency rating over the next 15-20 years’.

\(^3\) For more information see: http://energiesprong.nl/transitionzero/

\(^4\) For more information see: http://www.energiesprong.eu/
and, in theory at least, make some of this monitoring significantly more straightforward.

Our 2013 response also noted our view that it would be sensible to aim for higher emissions reductions in the household sector also – at least in line with the overall 42% target. We believe that this argument also still holds true. This is because energy efficiency in the household sector is a cost effective way of reducing CO₂ emissions and it has the ability to meet multiple government objectives (e.g. reduction in fuel poverty, improvement in health and well-being, job creation etc.).

I look forward to meeting you next week. In the meantime if you have any further questions or would like any additional information please do not hesitate to contact me.

Yours sincerely

Mike Thornton
Director, Scotland, Energy Saving Trust