

DRAFT BUDGET 2014-15

SUBMISSION FROM THE SCOTTISH FEDERATION OF HOUSING ASSOCIATIONS

Introduction

As the national representative body for housing associations and co-operatives in Scotland, the Scottish Federation of Housing Associations (SFHA) welcomes the opportunity to respond to the Committee's call for evidence to inform its scrutiny of the draft Scottish Budget 2014/15.

As an organisation whose members serve some of the poorest communities in Scotland, we believe it is vital that the Scottish Government's budget is designed to:

- Promote sustainable economic growth and equality of opportunity
- Create opportunities for jobs and training, particularly for young people and people who have been out of work
- Reduce poverty
- Reduce Scotland's carbon footprint and increase renewable energy generation

The Committee has identified key areas within its remit which it will focus its scrutiny on – the **Scottish Government's Economic Strategy; Finance, Employment and Sustainable Growth; Education and Lifelong Learning; and Infrastructure and Capital Investment**. Our submission identifies the significant contribution that housing associations and co-operatives can make in each of those areas, and on the funding and support that they require in order to do this.

Within the four key areas our evidence is concentrating on the following targets and indicators: **"Improving the Skill Profile of the Population"** **"Increasing the Proportion of Young People in Learning, Training or Work"**; **"Facilitating the Transition to a Low Carbon Economy"**; and **"Maintaining the Energy Efficiency Package and the Home Insulation Scheme."**

In looking at these themes, our evidence focusses on the role that our members can play in helping to meet the targets through **retrofitting energy efficiency and small-scale renewables, investment in new quality affordable rented housing** and the development of **community renewables schemes**. While the Scottish Government has shown commitment to each of these areas recently, more can and should be done in these areas in order to meet a number of its key targets.

General

Climate change is a major challenge and the Scottish Government has set ambitious targets to reduce carbon emissions through the Climate Change (Scotland Act). Housing has a major role to play as existing housing is responsible for around 25% of Scotland's carbon emissions¹.

¹ WWF Scotland (2012), Mind The Gap; Funding Energy Efficiency to Deliver Scotland's Climate Change and Fuel Poverty Targets

Fuel poverty is also a major concern, with just under a third of households in Scotland spending more than 10% of their income on domestic fuel bills². It is widely expected that without major investment in energy efficiency this figure will rise significantly in the near future, with fuel bills expected to increase by up to 15% in the next two years³.

Housing associations and co-operatives have a significant role to play in helping the Scottish Government to achieve its targets of ending fuel poverty and cutting carbon emissions. They have the financial and asset management skills, the groupings of housing and are trusted community organisations. This puts them in a strong position to lead on energy efficiency retrofit programmes and community renewables schemes as well as continuing to be the leading developers of new build, affordable rented housing.

While our members have the skills and capacity to build on their work in these areas, to achieve real transformational change it will be necessary for significant resources to be invested. The Scottish Government has made progress on each in recent years – increasing investment in new build rented housing following dramatic cuts, funding a programme to support an area-based retrofit scheme to reduce fuel poverty, and introducing the Warm Homes Fund, a scheme to support social landlords in developing renewable energy schemes.

All of the above are welcome, but in order to cut fuel poverty and address climate change we contend that there needs to be a significant increase in investment in those areas. Research carried out for WWF estimated that to meet its targets the Scottish Government needs to increase its investment in energy efficiency in housing⁴.

The SFHA is calling for increased investment through grant and low interest loan funding for energy efficiency retrofit schemes, increased levels of grant investment for affordable housing, and an increase in investment in the Warm Homes Fund, with the scheme continuing to be a mix of grant funding for feasibility studies coupled with unsecured loans for community renewable schemes.

We are also calling on European Union funds to be ring fenced to invest in energy efficiency, community renewables and in new build affordable housing. In France and Wales, the ring fencing of these funds has led to reduced carbon emissions, lower fuel bills and significant numbers of jobs being created. A recent study by Consumer Futures found that investing in energy efficiency would result in significant benefits to the economy and the creation of a large number of jobs⁵.

By investing in energy efficiency retrofit projects and community renewables, the Scottish Government has the opportunity to create jobs and training opportunities in a labour intensive industry. There is also the potential to develop a long term jobs market in renewables and energy efficiency retrofit as we work towards meeting our

² Scottish Government (2012), Scottish House Condition Survey Key Findings

³ Office of Budget Responsibility (December 2012), Economic and Fiscal Outlook

⁴ WWF Scotland (2012), Mind The Gap; Funding Energy Efficiency to Deliver Scotland's Climate Change and Fuel Poverty Targets

⁵ Consumer Futures (2013); Jobs, Growth and Warmer Homes

2050 Climate Change targets – a clear aspiration of the Sustainable Housing Strategy⁶.

Scottish Government Economic Strategy

The Scottish Government aims both to “improve the skill profile of the population” and to “increase the proportion of young people in learning, training or work”.

Housing as an industry has a high multiplier effect, with investment in the labour intensive industry producing an unusually large boost in jobs and training opportunities. As has been well documented, the credit crunch had a huge impact on the new build housing for sale market. Increased investment in new build affordable housing for rent would provide a significant boost in areas of high unemployment. Our members have a strong track record in linking investment to jobs and training.⁷

The SFHA, together with partners in the Existing Homes Alliance, campaigned for a National Retrofit Programme to improve the energy efficiency of Scotland’s homes. We welcome the creation of the Scottish Government’s Home Energy Efficiency Programme (HEEP), and believe it will cut fuel poverty and reduce carbon emissions while creating jobs. The scheme only supports the private sector, however, at a time when tough energy efficiency targets are about to be set for social landlords. We call on HEEP to be increased to £100 million and for ERDF to be ring fenced in order to support a national retrofit programme in social housing.

Finance, Employment and Sustainable Growth

The Scottish Government aims to facilitate the “transition to a low carbon economy” and “capitalise on the existing competitive advantage in renewables.”

We fully support these aims, and believe that if Scotland is to meet climate change targets, housing must play a significant role. Our members can play a significant role, using their project and asset management skills to lead and co-ordinate area based energy efficiency retrofit schemes. They also can continue to lead on the development of district heating schemes (and the SFHA has been in discussions with the Scottish Government on using data from our Carbon Portal project to help facilitate this). Both of these activities, however, require a combination of grant funding and low cost loans/investment if they are to continue to expand.

Building quality, energy efficient affordable housing also helps to reduce carbon emissions while helping develop skills and expertise in the low carbon economy. We welcome the additional £44 million announced in July 2013 to support affordable housing but call for additional investment to meet housing need and create jobs.

Our members can also help to build on the existing advantage in renewables, helping to develop a key industry for Scotland. We believe that in working to meet its renewable energy targets in 2020, the Scottish Government should do more to support community-based renewables schemes. This would ensure that poorer communities benefitted from Scotland’s leadership in renewable energy. A number of housing associations and co-operatives are engaged in working with their local

⁶ Scottish Government (2013); Sustainable Housing Strategy

⁷ EVH (2010); Embracing Social Return on Investment

communities to develop schemes that provide income to build affordable homes, provide training and improve the energy efficiency of existing homes. While the introduction of the Warm Homes Fund is a welcome support for such schemes, we would like to see the scheme expanded, with larger grants available to support development work and with the size of the loan fund being increased. We are calling for development grants for feasibility studies to increase from £30,000 to £100,000, and for the fund to be doubled by the end of the parliament.

Education and Lifelong Learning

The Scottish Government aims to “increase the proportion of young people in learning, training or work.”

Housing associations and co-operatives have a strong track record in providing training and jobs when they build new homes. The creation of area-based retrofit programmes would also allow our members to support jobs and training programmes, as both activities are labour intensive.

In order to support these activities we are calling for an increase in Scottish Government funds for new build housing and for home energy efficiency programmes.

Ring fencing EU Structural Funds would also provide a strong stimulus to support jobs and training; the European Regional Development Fund could support investment in physical measures and renewables, while the Social Fund could support jobs and training for young people and the long term unemployed.

Infrastructure and Capital Investment

The Scottish Government aims to “maintain the energy efficiency package and the Home Insulation Scheme.”

We welcome the fact that funding for home energy efficiency has been increased in Scotland, and that it is focussed on area-based schemes in areas with high concentrations of fuel poverty.

We also believe that these schemes will help attract ECO funding to Scotland.

We note however that only private sector homes are supported by these schemes and that our members face considerable financial challenges through welfare reform and the introduction of minimum energy efficiency standards.

We therefore call on the Scottish Government to increase funding for the Home Energy Efficiency Programme, and to consider funding energy efficiency measures in social housing through grants and loans.

Key asks

Housing associations and co-operatives have the skills, resources and community trust to help the Scottish Government deliver some of its key aims, but need appropriate financial support.

Investing in new build affordable housing creates jobs and training while providing warm, affordable homes that have benefits for educational attainment and health. We are calling for an increase in funding to allow 8,000 affordable homes per year to be built – the figure identified as being required by Audit Scotland⁸.

Our members have a strong track record in improving the energy efficiency of their homes. We call for an increase in funding for energy efficiency, and for ERDF to be ring fenced to support retrofit programmes in social housing.

Renewables is a key growth area for Scotland, but to date communities have not benefitted from the development of renewables. We are asking for the Warm Homes Fund to be increased, and for maximum grants of £100,000 to support the development of projects.

All of the above investments will cut carbon emissions, reduce fuel poverty and increase jobs and training, boosting the economy.

⁸ Audit Scotland (2013) Housing in Scotland