DRAFT BUDGET 2015-16

SUBMISSION FROM SCOTTISH FEDERATION OF HOUSING ASSOCIATIONS

1 Introduction

1.1 The Scottish Federation of Housing Associations (SFHA) welcomes the opportunity to provide supplementary evidence to the committee on the draft 2015/16 Scottish Budget. The SFHA is the national membership body for housing associations and co-operatives in Scotland.

1.2 Housing associations and housing co-operatives in Scotland own and manage 47% of the country’s affordable rented housing stock. This represents over 280,000 homes across Scotland, concentrated in some of the poorest communities in our country.

1.3 Housing associations and co-operatives have been working to provide, manage and maintain housing throughout Scotland since the 1960s and have a track record of making a significant contribution to improving housing for the people of Scotland.

1.4 We note from the Committee’s guidance that its focus for scrutiny on the draft 2015/15 budget is on exports. We also note, however, that the committee plans to retain its interest in fuel poverty and energy efficiency following the Economy Energy and Tourism Report on Fuel Poverty in 2012.

1.5 Before making a case for increased investment in domestic energy efficiency it is important to highlight other key, competing priorities for housing association budgets:

Investment in new build affordable housing – There is enormous unmet demand for quality affordable housing in Scotland (with 380,000 households on waiting lists) and housing associations are committed to continuing to invest in developing new build housing in order to meet housing need, improve children’s educational attainment and improve physical and mental health by providing good quality, affordable homes. There are significant economic benefits to investing in new build affordable housing as it has a high multiplier effect, and our members have a strong track record in linking investment to jobs and training.

Mitigating the impacts of welfare reform – UK government policy on welfare reform has had a significant impact on our members and their tenants. While continued investment by the Scottish Government to mitigate the impacts of welfare reform is welcome, the cost to our members in lost income and increased investment in tenant support and welfare advice is significant. We estimate that

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1 EVH (2010); Embracing Social Return on Investment 
without mitigation, the cost of the bedroom tax to associations in Scotland would be £79 million over the first three years of implementation.

1.6 While housing associations have the most energy efficient homes by sector in Scotland and have led on energy efficiency and renewables, rising prices mean that fuel poverty continue to be a significant issue for associations and their tenants.

1.7 Housing associations and cooperatives have the asset management skills, the groupings of housing and the will to develop retrofit schemes to address fuel poverty and mitigate against climate change. In order to do this, however, sufficient funding support has to be given. This submission will argue that funding for energy efficiency should be increased and that this increase will result in three significant benefits

- **Reduction in fuel poverty**
- **Reduction in carbon emissions**
- **Significant economic benefits, including jobs and apprenticeships**

The submission argues that:

- There is a strong case to invest in domestic energy efficiency to create jobs, cut fuel poverty and meet climate change targets
- This investment is vital due to funding cuts caused by changing UK Government policy

2 Investment in domestic energy efficiency

2.1 The SFHA welcomes the Scottish Government’s ongoing commitment to address fuel poverty through investing in domestic energy efficiency. In our view this investment, together with the introduction of minimum energy efficiency standards for homes, are vital to cutting fuel poverty and meeting our Climate Change Act (2009) targets. We note that the Scottish Government continues to invest in domestic energy efficiency programmes to combat fuel poverty when other parts of Great Britain do not.

2.2 It is our view, however, that the proposed investment of £79 million is not sufficient to address fuel poverty or meet our carbon reduction targets. Our reasons for this are set out below

**Fuel Poverty** – due to rising fuel prices, significant investment is required to address fuel poverty in Scotland. A report by Consumer Futures found that £7.4

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billion was required in order to end fuel poverty in Scotland\textsuperscript{4}. Energy Action Scotland, the national fuel poverty charity, argues that £300 million per annum (from Scottish Government funds and from energy companies) needs to be invested to address fuel poverty.

**Climate Change** – our present level of investment in household energy efficiency is not enough to meet our climate change targets. Research for the World Wildlife Fund found that investment needed to be quadrupled if we are to meet our targets\textsuperscript{5}.

These challenges are only going to increase for housing associations as a result of changes to the Energy Company Obligation (ECO) announced by the UK Government. The changes to ECO, the main source of funding for domestic energy efficiency in Scotland, have serious implications for social landlords in Scotland, particularly as they come at a time when Energy Efficiency Standards for Social Housing (EESH) have been set by the Scottish Government. The standards, to be met by 2020, will require substantial investment in the energy efficiency of Scotland’s housing.

3 Impact of changes to ECO on energy efficiency funding

3.1. As stated above, changes to ECO funding have had a significant impact on funding for domestic energy efficiency schemes in Scotland.

3.2. ECO is the main source of this funding in the UK, and was originally designed to fund hard to treat measures such as insulating solid wall properties. These measures are particularly important in Scotland, where there is a high proportion of solid wall properties. Following political pressure, the UK Government reduced the burden of ECO on energy companies in an effort to reduce bills, shifting the balance of ECO from investing in expensive, hard to treat measures to investing in lower cost measures such as cavity wall insulation and loft insulation.

3.3. These changes will have a negative impact on funding in Scotland, where these low cost measures have largely been installed under previous Scottish Government funded programmes. The impact will be particularly significant for housing associations, who have already invested heavily in those measures. This is exacerbated by the fact that UK government changes to ECO have seen funding shift to owner occupiers.

3.4. This means that while the Scottish Government proposes to make the same investment in domestic energy efficiency this year as in 2014/15, its stated aim from 2014/15 of “together with ECO, delivering a combined funding package of around £200 million for energy efficiency measures” is not likely to be achieved in 2015/16 if the programme continues at £79 million as


\textsuperscript{5} WWF Scotland (2012); Mind the Gap [http://assets.wwf.org.uk/downloads/fuel_poverty_funding_3__2__pdf](http://assets.wwf.org.uk/downloads/fuel_poverty_funding_3__2__pdf) accessed 20th October 2014
proposed. Scottish Government officials estimate that the changes will result in £50 million less ECO coming to Scotland per annum.

3.5. For the above reasons the SFHA is calling for two things:

- A substantially increased funding package in order to work towards meeting the Scottish Government’s fuel poverty and climate change targets
- Funding that supports social landlords – at present the Scottish Government’s Home Energy Efficiency Programme (Scotland) is entirely targeted on the private sector.

4. Benefits of Investing in Energy Efficiency

4.1. Having set out the need for substantial investment in domestic energy efficiency, it is important to be clear about the benefits that result from investing in domestic energy efficiency and small scale renewables.

4.2. A report by Cambridge Econometrics for Consumer Futures found that investing in domestic energy efficiency was the most effective way for public funds to stimulate the economy. The report found that this investment would have significant benefits in:

- Creating jobs and stimulating the economy
- Cutting carbon emissions and reducing the impact of climate change
- Increasing energy efficiency and cutting fuel poverty

5. Conclusion

5.1. While welcoming the Scottish Government’s ongoing commitment to invest in domestic energy efficiency in order to cut fuel poverty and address climate change, it is clear that higher levels of investment are needed to meet Scottish Government targets.

5.2. Housing associations and co-operatives, with their groupings of housing, their long term ownership of homes and their skills in project and asset management are well placed to lead on programmes of investment.

5.3. As with other key priorities, however, (including investment in new build affordable housing and mitigating the impact of Welfare Reform), however, they need support to invest in area based retrofit schemes and in domestic renewables.

5.4. Currently, social landlords in Scotland face minimum energy efficiency standards by 2020, but the main source of funding for domestic energy

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efficiency in Scotland (the HEEPS scheme) is only available to social landlords. Changes to ECO mean that it is vital that:

- There is a significant increase in the Scottish Government’s funding of domestic energy efficiency schemes
- That funding is made available to support social landlords to invest in energy efficiency

Scottish Federation of Housing Associations
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