

SCOTTISH FEDERATION OF HOUSING ASSOCIATIONS

WRITTEN SUBMISSION

Introduction

The Scottish Federation of Housing Associations (SFHA) welcomes the opportunity to provide 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. 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.

We note from the Committee's guidance that its three key areas of focus for scrutiny on the draft 2015/15 budget are: reducing Scotland's carbon footprint; reducing traffic congestion; increasing journeys to work by public transport and active travel.

This submission focusses on the role housing associations and co-operatives can play in reducing Scotland's carbon footprint.

While housing associations have the most energy efficient homes by sector in Scotland and have led on energy efficiency and renewables¹, rising prices mean that fuel poverty continues to be a significant issue for associations and their tenants. There is an opportunity to invest in schemes that both cut fuel poverty and significantly reduce Scotland's carbon footprint.

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 and renewables 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 the Scottish Government should provide increased support to

- Area based retrofit energy efficiency schemes
- Micro and community renewables
- Highly energy efficient new build housing
- District heating and combined heat and power schemes

¹ Scottish Government (2013); Scottish House Condition Survey 2012
<http://www.scotland.gov.uk/Publications/2013/12/3017> accessed 20th October 2014

Investing in supporting these schemes would help Scotland to meet its Climate Change targets.

Investment in area based energy efficiency

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.

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 billion was required in order to end fuel poverty in Scotland². 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 targets³.

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.

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

² Consumer Futures (2014); The Economic Impact of Investing in Energy Efficiency in Scotland <http://www.consumerfutures.org.uk/files/2014/03/Economic-impact-of-energy-efficiency-investment-in-Scotland.pdf> accessed 20th October 2014

³ WWF Scotland (2012); Mind the Gap http://assets.wwf.org.uk/downloads/fuel_poverty_funding_3_2_.pdf accessed 20th October 2014

These measures are particularly important in Scotland, where there are 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.

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.

Supporting community and micro-renewables

Housing associations have a strong track record in developing renewables. The SFHA Renewables Map has details of over 7,000 planned or installed technologies across Scotland⁴.

Housing associations have the project management skills to develop renewables schemes in partnership with the communities that they serve, given the correct funding support.

The Warm Homes Fund and the Local Energy Fund are both welcome schemes to support these activities.

Community energy schemes take time to develop, however, so we call for a long term commitment to support housing associations to develop community renewables schemes.

Developing district heating and combined heat and power

Housing associations have a strong track record in leading on the development of district heating schemes, both in high density urban estates (e.g. the Wyndford estate and Clydebank) and in rural, off gas areas (schemes around Oban and near Aviemore).

Housing associations have the groupings of housing and the project management skills to help the Scottish Government meet its target of heating 40,000 homes by district heating by 2020.⁵

Housing associations face competing calls on their resources, however – welfare reform is a significant challenge and cost, while there is an

⁴ SFHA (2014); Scottish Social Housing Renewables Map – available at <http://renewables.sfha.co.uk/>
Accessed 20th October 2014

⁵ Scottish Government (2014); Draft Heat Generation Policy Statement – available at <http://www.scotland.gov.uk/Publications/2014/03/2778> accessed 20th October 2014

ongoing need to build new affordable houses in order to meet housing need (with 380,000 households on waiting lists in Scotland).

It is vital therefore that sufficient funding is provided to allow investment in district heating. District heating, as can be seen from Denmark, has potential to cut carbon emissions and reduce fuel poverty. The infrastructure costs, however, are high. While the Scottish Government's ongoing support through the District Heating Loans Fund is welcome, more capital funding is required if we are to drive investment in this area.

The SFHA calls for ERDF funds and Scottish Government funds to be ring-fenced to support the development of district heating schemes in Scotland.

Investing in Energy Efficiency in New Build Housing

The final way that housing associations can assist in the reduction of carbon emissions is by their development of energy efficient new build homes.

There are already examples of highly energy efficient homes developed by housing associations and cooperatives – including recent schemes at the Fife Housing Innovation Park and by Berwickshire Housing Association in Eyemouth.

To see such schemes become mainstream, funding support must be provided and Building Standards must be raised. We welcome the fact that the Scottish Government provides additional funding to support highly energy efficient new build through the Greener Homes Innovation Scheme.

We believe that to mainstream these higher standards, Building Standards need to be raised so that the Modern Methods of Construction used on the schemes above become standard and costs reduce.

Concluding Comments

Housing has a significant role to play in helping Scotland meet its ambitious climate change targets – housing is responsible for 25% of our emissions.⁶

As outlined above housing associations can play a significant role by

- Retrofitting existing homes through area based schemes
- Developing renewables
- Developing district heating networks
- Building highly energy efficient new build homes

To achieve this and meet our targets, however, requires significant investment. In our view energy efficiency should be treated as a major

⁶ Scottish Government (2010); Conserve and Save; Energy Efficiency Action Plan for Scotland – available at <http://www.scotland.gov.uk/Publications/2010/10/07142301/0> accessed 20th October 2014

area for capital investment in infrastructure in order to meet Scotland's needs.

Investing in energy efficiency has significant benefits for the economy. A study by Cambridge Econometrics for Consumer Futures found that benefits include

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

Scottish Federation of Housing Associations
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