Glasgow and West of Scotland Forum of Housing Associations

GWSF

Green Deal and Energy Company Obligation

GWSF Response to Department of Energy and Climate Change Consultation Document

1. **Glasgow and West of Scotland Forum of Housing Associations** (GWSF) represents 58 community-controlled housing associations and co-operatives (CCHAs). CCHAs provide decent, affordable housing for nearly 75,000 households in west central Scotland, while also improving the environmental, social and economic well being of their communities.

2. CCHAs are committed to:

    - Improving the energy efficiency of their housing stock
    - Reducing carbon emissions from that stock
    - Supporting measures that ensure that tenants have the knowledge and resources to benefit from fuel efficiency whilst delivering carbon savings

3. This response has been prepared by GWSF's Energy Efficiency and Renewables Group, which draws together practitioners from across our membership. Any questions about our response should be directed to the Group's Chair, Chris Cunningham at chris.cunningham@shettleston.co.uk

Background and Introduction

4. CCHA property has particular characteristics that are relevant to any discussion of energy efficiency issues. These are:

    - A very high proportion of flatted/tenemental buildings
    - A significant proportion of which are pre 1919 sandstone tenements
    - High levels of mixed ownership
    - Deeds of Condition governing responsibility for repair and improvement which raise significant issues of authority and control

5. All of the above have the effect of making individual, householder led, energy efficiency measures severely problematic. While internal improvements such as boiler replacement are feasible, all external work, including external wall insulation, is impossible without common or majority consent and collective involvement.

6. Recent years have seen significant improvements to the housing stock in the west of Scotland, particularly in Glasgow since the 2003 stock transfer, although much remains to be done. However one major area of improvement faces significant technical as well as organisational challenges i.e. improving the energy efficiency of hard to treat properties such as pre 1919 sandstone tenements.

7. In these properties, which form a significant proportion of the housing stock in the west of Scotland and which give many neighbourhoods their particular character, there are real challenges:

    - Cavity wall insulation is not possible as they are of solid wall construction
    - External cladding is inherently not an option given their external character
    - Pre 1919 Deeds of Condition, which often prevail, make owner occupier 'buy in' complex where not accompanied by statutory force
    - Internal insulation provides a possible solution but technical issues around dampness and condensation impacting on the junction point between external walls and joist ends, which are integral to the structural integrity of the buildings, still require to be resolved

CESP and CERT

8. CCHA experience of the Community Energy Saving Programme (CESP) has been mixed. Its primary advantage has been that it is area based, covering all properties within given geographic areas. This has effectively addressed many of the issues highlighted above, relating to the complexity of multi tenure, flatted property and the delivery of programmes which require common agreement and common work.

9. However the designation of one area as being eligible while another, neighbouring one, as not being eligible has at times seemed arbitrary and has excluded properties and residents who may fall into the same levels of need but who happen to find themselves in non designated/more affluent neighbourhoods.

10. It has also been our experience that because installation programmes delivered by Associations have covered multiple properties the contract lead in and works duration periods can be lengthy and some of our members have reported being unable to take advantage of the programme given its relatively short lifespan.

General Comments

11. The document's Preface takes in four key areas. It states that the Proposals are:
    - Designed around consumers
    - Will create a 'New Market'
    - That investment will drive growth
    - That the work will reduce carbon emissions, improve energy security and support vulnerable customers

12. It seems self evident from the tone and content of the document that there is a strong emphasis on a private sector/consumer led approach to the proposals. While it is

reasonable and understandable that the potential for individual consumers to save money on their energy bills ought to be an incentive for such work, the experience of CCHA's over the last 40 years has been that physical improvements to tenemental property in particular require collective approaches that are best achieved where there is a mix of individual incentives and collective/statutory requirements i.e. carrots **and** sticks.

13. The paper goes on to propose a complex structure of accreditation for private sector suppliers, contractors and funders. The Government appears to be aware of the potential tension between a private sector led solution and the possibility of rogue suppliers taking advantage of vulnerable consumers. However well intentioned such arrangements are, it has to be recognised that there are fairly obvious stress points in the process, including:

    - The assessment of energy savings compared to the reality of future fuel costs
    - The potential for consumers being drawn into over specified works beyond the actual value of works that can be funded by projected savings
    - The terms of actual finance packages
    - The relationship between prospective suppliers and landlords, private or otherwise – particularly where RSL's are projecting similar works in the future

14. The proposals have a 'Golden Rule' at their heart. This links the amount of finance that can be funded through the energy bill to the savings that are achieved by the installation of Green Deal measures. So, if Green Deal measures amount to savings of £200 per annum (as assessed), this is the amount that can be recouped via the electricity bill to pay for Green Deal works.

15. GWSF believe that the issue of cost neutrality may raise problems of take up. At its most basic, if there is no gain, why should a householder do it? While the householder may gain through greater comfort, this is not explicitly part of the 'Golden Rule' and much depends on the accuracy of the assessment at the outset of process.

16. It also seems evident that while this Golden Rule may well be applicable to relatively low cost improvements e.g. loft insulation or new boilers, it is unlikely to meet the cost of more significant improvements such as external cladding. Setting aside the issue of whether this can be delivered by the individual consumer in flatted property, the financing costs required would greatly exceed the potential savings on energy costs.

17. Of course, such issues raise the problem inherent in the golden rule in that it requires the consumer and the home owner to be one and the same. Where there is a landlord/tenant relationship there is no link between capital improvements to a building and savings in the energy bill. In that regard therefore, these proposals would appear to offer no incentive for housing association involvement.

18. Any such involvement would presumably come through the ECO and Affordable Warmth programmes that are aimed at poorer households and/or difficult to treat buildings. Again, however, the fact that eligibility for these programmes is based on

means tested benefits means there are bound to be problems where improvements are required to flatted/tenemental property that requires collective agreement and action. In such cases, pepper potting of work is neither feasible nor desirable.

19. We have noted that that carbon saving measures will only be eligible when delivered as part of a solid wall insulation. This raises the question of what happens if this cannot be achieved, despite the fact that properties are technically hard to treat. Surely support should be linked to hard to treat properties in general and not those that are exclusive to solid wall.

20. It appears as if these issues, that are prevalent in Scotland, do not appear to have been given sufficient consideration with the result that core elements of the new arrangements will prove undeliverable in Scotland.

21. This is confirmed when issues about where the problems of fuel poverty lie and which organisations will be eligible for assistance are considered. The report notes that:

    Under previous obligations, social housing has tended to benefit disproportionately from measures, particularly through the Priority Groups within CERT and under CESP. The latest fuel poverty statistics for England demonstrate that 81% of the fuel poor live in private housing tenures, with 19% in social housing. Among the fuel poor in private tenure properties, 63% are owner occupiers and 18% are in private rental housing.(page 124)

22. The statement '*81% of the fuel poor live in private housing tenures*' is not applicable to Scotland where the picture is different. The 2010 SHCS says:

    *Local Authority tenants are the most likely to experience fuel poverty, followed by Housing Associations. [***It does add]** *Extreme fuel poverty, however, is most prevalent in the private sector, where it is nearly three times as likely as in a housing association (Table 29).*

23. The DECC report goes on to say that on the whole social housing is better and cites the Decent Homes investment programme. It goes on to say:

    Some social housing providers have argued that households on the proposed eligible benefits in social tenure homes might benefit from Affordable Warmth support as not all social landlords have easy access to the resources needed to make these improvements, therefore Affordable Warmth should be "tenure blind". We will welcome evidence on this point. ***However … the Government is minded to restrict Affordable Warmth eligibility to properties in private tenures, - where the majority of fuel poor live;*** *that are of the lowest average standards of energy performance; and where alternative support is less likely to be available after Warm Front has come to an end.*

24. Since the Decent Homes investment programme has never applied in Scotland it is surely not appropriate to develop new financial arrangements on the back of that assumption. Given this we welcome the statement that "any measure" should be

allowed under affordable warmth obligation but believe that affordable warmth funding needs to be extended to RSLs in Scotland.

25. The issue of the private rented sector and fuel poverty in Scotland is in fact addressed directly by the Scottish Government in its November 2010 Report: ***Progress Report on the Scottish Fuel Poverty Statement 2002*** where it says of the private rented sector:

> *Currently take up of grants, loans and tax breaks is poor amongst private landlords due to a number of factors; lack of information and support, the split incentive (not benefiting directly from improvements in terms of warmth or lower fuel bills) the complexity of schemes and many of them being tenant rather than property based, the timing of works to coincide with tenant movement and financial support when properties are void or tenants must be decanted whilst works are carried out.*

A Way Forward

26. GWSF recognises that the CERT and CESP programmes do not deliver on all their targets and that some change is required. However GWSF believes that new arrangements must be appropriate to the fuel poverty problem and the particular characteristics of property in Scotland. As it stands, the proposals do not sufficiently address either of these issues and therefore do not meet with our support.

27. On that basis it may be appropriate that the Scottish Government be asked to develop an energy efficiency programme funded by savings on consumers energy bills or, in the case of support for particular household groups or difficult to treat properties, funded by the energy companies which:

    - Recognises that ECO will be funded in part by Scottish RSL tenants through their fuel bills and that under such circumstances restricting it to the private sector would be unfair. Such funding should indeed be tenure neutral and relate to fuel poverty overall.
    - Recognises the particular issues presented by tenemental/flatted property
    - Addresses the need for a measure of statutory compulsion to ensure common/collective action
    - Focuses particular attention on the private rented sector which demonstrates a range of problems
    - Takes a tenure neutral position on support for landlords to deliver such measures

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