

BSA Response to the Future Homes Standard 2019 Consultation

Restricted
20 January 2020

Introduction

The Building Societies Association (BSA) represents all 43 UK building societies, 6 credit unions. Building societies have total assets of £420 billion and, together with their subsidiaries, hold residential mortgages over £330 billion, 23% of the total outstanding in the UK. They hold over £290 billion of retail deposits, accounting for 19% of all such deposits in the UK. Building societies account for 38% of all cash ISA balances. They employ approximately 42,500 full and part-time staff and operate through approximately 1,470 branches.

In September 2019 the BSA established a Green Finance Taskforce which currently comprises of representatives from 20 building societies, including Chief Executives, Chief Risk Officers, Heads of Lending, Product Managers and Public Affairs Managers. The objective of the Taskforce is to establish a common framework for Green Mortgages to address the huge housing retrofit challenge the UK needs to overcome in order to meet the Net Zero target by 2050.

The main reason that the Taskforce is focused on retrofit rather than new build housing, is that in our view new build housing should already be capable of meeting the highest standards of energy efficiency, and this can and should be compelled through building regulations.

Housebuilders and developers have already been through the research and development cycle needed to meet the previous Zero Carbon Homes standard. Therefore we do not accept the point that long lead-in times are necessary to prepare for the Future Homes Standard. In our view, the Government's Part L proposals do not go far enough and should show greater ambition – insisting on the highest very highest fabric standards as well as renewable technologies. Otherwise the UK risks adding to the 26 million homes that already require retrofitting, by adding newly built homes which will need to be retrofitted ten or twenty years down the line.

Answers below are limited to areas where the BSA has particular views or expertise.

Q1 Do you agree with our expectation that a home built to the Future Homes Standard should produce 75-80% less CO2 emissions than one built to current requirements?

No – in the BSA's view the Future Homes Standard should be a net zero carbon standard and should be introduced as soon as reasonably practicable. In London major residential developments have been required to meet a zero-carbon target since 2016¹.

Q3 Do you agree that the fabric package for Option 1 (Future Homes Fabric) set out in Chapter 3 and Table 4 of the impact assessment provides a reasonable basis for the fabric performance of the Future Homes Standard?

No – while the fabric package for Option 1 is preferable to Option 2 our view is that the Future Homes Fabric standard should aim for the very highest levels. This is the only way to avoid adding to the retrofit challenge. The BSA's view is that the fabric energy efficiency metric should be maintained so that housebuilders follow a 'fabric first' approach rather than seeking to reduce CO2 emissions by other means while reducing fabric standards.

Q4 When, if at all, should the government commence the amendment to the Planning and Energy Act 2008 to restrict local planning authorities from setting higher energy efficiency standards for dwellings?

¹ <https://www.london.gov.uk/what-we-do/planning/london-plan/new-london-plan/draft-new-london-plan/chapter-9-sustainable-infrastructure/policy-si2-minimising>

The BSA does not believe the government should restrict local planning authorities from setting higher energy efficiency standards – particularly as the proposals under consultation are less ambitious than those currently set by some planning authorities.

As noted above, the London Plan has had a zero carbon target in place for major developments since 2016. The government will also be aware that a large number of local authorities have declared climate emergencies, including large metropolitan areas such as Greater Manchester, Leeds, Belfast, Cardiff and Edinburgh. By removing planning authorities' ability to set higher energy efficiency standards, there is a risk of losing the momentum needed to address climate change.

Instead, government should work with ambitious local authorities to share best practice and achieve greater standardisation across the UK through a collaborative approach.

Q5 Do you agree with the proposed timings presented in Figure 2.1 showing the Roadmap to the Future Homes Standard?

No – the BSA believes the Future Homes Standard should be implemented before 2024 and as soon as reasonably practicable. Housebuilders and developers have already been through the cycle of preparing for the Zero Carbon Homes standard so it is difficult to see why four years lead-in time is necessary. While we accept the point that housebuilders have long-term development cycles, this should mean that certainty as soon as possible about future standards should be preferable so that these can be factored into current land price negotiations.

Q6 What level of uplift to the energy efficiency standards in the Building Regulations should be introduced in 2020?

Other – of the options available we believe that the higher fabric standards in Option 1 should be pursued in order to avoid adding to the retrofit challenge. However, this should be in combination with proposals for photovoltaic panels and other renewable technologies outlined in Option 2. This 'Option 3' would lay a better foundation for a zero carbon standard which should be the ultimate aim of the Future Homes Standard.

Through conversations with responsible housebuilders and developers, the BSA understands that those that have already been building beyond the minimum requirements in building regulations would not face much difficulty in achieving very high energy efficiency standards. The aim of the Future Homes Standard should be to bring the worst up to the standards of the best.

Q9 Do you agree with the proposal to set a minimum target to ensure that homes are affordable to run?

Yes it is very important for homeowners' personal financial situations but also for mortgage lenders' affordability calculations that new homes do not become unduly expensive to run simply because of the choice of energy supply made by the builder.

Q32 Do you agree with our proposed approach to mandating self-regulating devices in new dwellings?

Yes we can see the benefits of measures that improve energy savings with minimal need for input from the homeowner.

Q34 Do you agree with proposed guidance on providing information about building automation and control systems for new dwellings?

Yes it is important that homeowners understand how any new technologies in their home operate and why they have been installed.

Q62 Do you agree with the proposal to provide the homeowner with the signed standardised compliance report (BREL) and photographic evidence?

Yes we agree that homeowners should be provided with as much relevant information as possible, without creating confusion, on their home's energy efficiency. This will improve confidence and raise energy efficiency higher in importance in the list of factors people consider when buying a home.

Q63 Do you agree with the proposal to specify the version of Part L that the home is built to on the EPC?

Yes but with the caveat that there should be a common sense explanation of what this means i.e. 'this home has been built to the latest standards of energy efficiency', as the average consumer will not understand building regulations.

Q64 Do you agree Approved Document L should provide a set format for a home user guide in order to inform homeowners how to efficiently operate their dwelling?

Yes it is important that homeowners are given straightforward information on how to operate new technologies in their home. For example, where self-regulating temperature controls are in place this is likely to be confusing for a person used to turning on radiators or time-setting a gas boiler.

Government should also consider a wider information and education campaign as newer technologies become more prevalent in peoples' homes. One of the conceptual barriers for lenders designing Green Mortgages and integrating a property's energy efficiency into affordability calculators, is that 'user error' can easily reduce the benefits.

By Charlie Blagbrough
Mortgage Policy Manager
charlie.blagbrough@bsa.org.uk
020 7520 5900

York House
23 Kingsway
London WC2B 6UJ

020 7520 5900
@BSABuildingSocs
www.bsa.org.uk

BSA EU Transparency Register No: 924933110421-64

www.bsa.org.uk

The Building Societies Association (BSA) is the voice of the UK's building societies and also represents a number of credit unions.

We fulfil two key roles. We provide our members with information to help them run their businesses. We also represent their interests to audiences including the Financial Conduct Authority, Prudential Regulation Authority and other regulators, the Government and Parliament, the Bank of England, the media and other opinion formers, and the general public.

Our members have total assets of over £420 billion, and account for 23% of the UK mortgage market and 19% of the UK savings market.