



# **The Future Homes Standard**

**2019 consultation on changes to Part L (conservation of fuel and power) and Part F (ventilation) of the Building Regulations for new dwellings**

**A response from Midland Heart**

**February 2020**



## Topline

We support the Government's ambitions to reduce carbon emissions further and believe the social housing sector should become a trailblazer in moving towards carbon neutral homes.

## Key points

- Housebuilding must contribute to the national drive to reduce carbon emissions. With the right funding conditions in place, the social housing sector could lead the drive towards zero carbon homes. We believe a 75-80% reduction in CO<sub>2</sub> emissions is possible but could cost £15,000 per home.
- The cost of higher standards cannot be passed on to low income social housing residents. Developers must make economies, but there is also a role for subsidy to provide a stimulus and support the social housing sector to instigate a shift towards low carbon homes.
- Government should not remove the transitional protections which mean that changes to Building Regulations cannot be applied retrospectively to developments that are already underway. The proposed changes would create significant contractual problems and could impact on delivery.

## About Midland Heart

We are a leading housing organisation, delivering homes and services across the Midlands that enable people to live independently. We own and manage 33,000 homes and are dedicated to providing decent, affordable homes combined with excellent services to over 70,000 customers. We offer a wide variety of supported living accommodation from extra care retirement schemes to temporary accommodation for people with a history of homelessness.

## Introduction

We are strongly committed to reducing the carbon emissions from both our existing and new build homes. We have already begun to experiment with new technologies such as solar thermal heating and air source heat exchange as ways of reducing our reliance on fossil fuels. We plan our new homes to be as environmentally sustainable as possible in the long term and are already starting to deliver homes with charging points for electric cars and photovoltaic panels to provide renewable energy.

The impact of this work is significant, with 90% of homes built since 2015 achieving the highest standards of energy efficiency as demonstrated by top level EPC bandings of either A or B. This compares to just 11% of our stock profile as a whole.

It should be noted that Midland Heart has a particularly historic stock portfolio, with around one third of our homes predating the First World War. Many of these are quite difficult to retrofit. Nevertheless our existing stock profile still exceeds average standards nationally, with only around 3% of EPCs banded A or B.

Some of our new developments are already outperforming Building Regulations on energy efficiency, in some cases by as much as a third. We are now looking at going even further and are exploring the possibility of delivering a site with an 80% reduction on baseline levels. We are also partnering with Birmingham City University to research the impact of improved insulation. We are keen to ensure that higher levels of airtightness do not impact on the health and wellbeing of residents.

We believe our sector can and should do more to contribute to national and international efforts to combat climate change. We support the Government's the Future Homes Standard, but we need greater clarity on the consequences for housing supply. Whilst developers and housing associations must look for efficiencies, it will be extremely difficult to pass on costs to land owners, within a highly competitive land market. There may need to be an element of subsidy where the market cannot absorb additional costs and the viability of sites is threatened.

## Detailed responses

(The numbers below indicate where our response relates to a specific question in the consultation.)

### **The Future homes standard for homes built from 2025**

1. We believe it is possible to achieve a 75-80% reduction in CO<sub>2</sub> emissions from new homes built from 2025 onwards, compared to new homes built today. However, this will require significant investment in renewable energy technology such as heat pumps, solar panels and renewable electricity. It will also require much higher standards of insulation. We believe this could add approximately £15,000 to the cost of a new home.
2. We believe that backed with the right funding packages, the social housing sector could be a trailblazer for low carbon homes through innovative use of heat pumps, heat networks and direct electric heating. These technologies could be subsidised through the existing social housing grant programme or through feed in tariffs where energy is returned to the National Grid. Currently the return on investment through feed in tariffs is poor and this does not incentivise innovation.

We recognise that the social housing sector has significant bargaining power and it is reasonable to expect developers to economise. However, we are also operating in a highly competitive land market and strongly committed to ensuring our homes are genuinely affordable to those who need them most. The additional costs of new technology must not be passed on to social

housing customers in the form of higher rent or service charges as this will make homes less affordable and increase rates of tenancy failure.

Government must press developers to operate as efficiently as possible but at the same time recognise that there may be a place for a fiscal stimulus to support the social sector to become a trail blazer in the shift towards low carbon homes. The funding arrangements need to reflect the significant additional costs both of developing homes to higher environmental standards and educating customers to use them effectively. We are already delivering a sub-market product with limited returns. If not managed carefully, escalating costs could impact on the viability of our new products and stifle affordable housing supply.

Government must also ensure there are enough trained installers available to support the roll out of new technology, otherwise the programme will fail. In the longer term, the West Midlands, with its deep industrial heritage, strong construction sector and several centres of excellence could provide an ideal setting for upscaling and enhancing construction training schemes using the Construction Skills Fund.

3. We agree that homes need to become better insulated to reduce carbon emissions. However, the highest levels of airtightness can only be safely achieved with mechanical ventilation systems which present real challenges for social housing in particular. Tenants with low incomes will frequently turn off electrical systems to reduce their energy costs. Overcrowding, which can contribute to poor air quality and issues such as damp and mould, is much more common among social housing tenants. Rigorous education programmes need to be undertaken before the proposed fabric standards can be rolled out. New heating and ventilation systems will also need to be as user friendly as possible to ensure they are accessible for a broad range of residents with different needs. Engagement with landlords will be key.
4. We agree that energy efficiency standards should be consistent across the country. All occupiers of new homes should be able to enjoy the same benefits and they should not have to meet the additional costs of applying multiple different standards in different areas. We would therefore recommend that the Government restricts planning authorities from setting their own higher standards as soon as any new energy efficiency standards are introduced.
5. We are comfortable with the 2025 timetable but do not support the proposed changes to transitional protections set out in Chapter 7. Applying transitional arrangements to individual buildings rather than entire sites will create considerable confusion, further administrative burdens, and be difficult to manage from a contractual point of view. The transitional arrangements in their current form work well to ensure consistency across new developments.

## **Standards for new homes in 2020**

6. We support Option 2. Given the urgency of tackling climate change, we think it is appropriate for the sector to aim for a 31% reduction in CO<sub>2</sub> emissions on homes signed off from 2020, rather than 20%. We also prefer this option because renewable energy sources are prioritised over extremely high fabric standards and increased airtightness which, as discussed above, can be problematic in terms of air quality especially in a social housing context. Equally, there is potential for Option 1 to be achieved through poorer fabric measures (compared to the levels actually delivered in new homes at present) with renewable technologies adopted to meet CO<sub>2</sub> reduction targets, which could leave a legacy of leaky inefficient buildings.
  
9. The main barrier to improving the energy efficiency of new homes is cost. The modern electricity supply might be less carbon intensive than gas, but it continues to be much more expensive. New innovations such as heat recovery devices, on site energy storage and heat pumps are still relatively expensive too. The Government could regulate to control costs to the consumer, but this may be insufficient to protect consumers without threatening viability.

If developers have to absorb significant additional costs this will hamper efforts to build at the volume required to tackle the housing shortage. Furthermore it could threaten housing associations' social purpose of delivering genuinely affordable homes. Government should consider how viability can be maintained if the market will not absorb the additional costs. There will also need to be investment in training and skills. At present there is a shortage of technicians with the skills required to install and maintain new energy efficient technologies.

10. In line with the above, we would argue that regulation should provide a minimum standard for energy efficiency in new homes such as an EPC Level C and then some form of subsidy could be provided to innovate further, in line with the Future Homes Standard. Midland Heart has tested a number of new technologies, such as air source heat exchanges and solar thermal heating, across our portfolio where the funding environment has been conducive to innovation. We're currently developing a new climate change policy and are keen to explore further innovations to reduce the carbon emissions from our homes.
  
16. We support the proposal to remove fuel factors to aid the transition from high carbon fossil fuels. It clearly makes no sense to penalise developers for adopting electric heating over gas.

## **Ventilation and airtightness**

We welcome the proposed changes to Part F of the approved document and the consideration in Chapter 4 of ways to maintain minimum ventilation standards. We

support the Government's approach but would caution against over reliance on mechanical ventilation, especially in homes with high levels of airtightness.

We support the proposal to limit the credit given for energy savings from airtightness in naturally ventilated buildings (Question 48) and would recommend extending this to all types of ventilated buildings including those with mechanical ventilation. We also agree with the proposals to include all dwellings, including those on small developments in air tightness testing (Questions 51 and 52).

### **Compliance, performance and providing information**

We agree with the proposal to introduce a standardised compliance report to improve consistency and accuracy. It is reasonable to expect this to be submitted to Building Control and provided to the new homeowner. (Questions 61 and 62). We do not think it is sensible to require the inclusion of photographic evidence.

Accountability will only be improved through rigorous sign off arrangements and robust monitoring. Photographic evidence would simply be an expensive distraction, which would still be open to abuse (Questions 59 and 60)

### **Transitional arrangements**

65. We do not agree with the proposal to change transitional protections so that works that are already underway are no longer fully exempt from changes to Building Regulations. Protections must apply to a development as a whole and not segment sections or individual buildings. This is essential for maintaining high levels of quality and consistency and avoiding the creation of further contractual complexities which could ultimately impact on delivery.

## **Get in touch**

For more information about Midland Heart or our response to this consultation please contact [robert.hunter@midlandheart.org.uk](mailto:robert.hunter@midlandheart.org.uk).