

## **Developing an Energy Efficiency Standard for Social Housing**

### **Response by the Council of Mortgage Lenders to the Scottish Government Consultation**

#### **Introduction**

1. The Council of Mortgage Lenders (CML) is the representative trade association for mortgage lenders. Our 113 members and 86 associates comprise banks, building societies, insurance companies and other specialist mortgage lenders who, together, lend around 95% of the residential mortgages in the UK. In addition, the CML's members have lent over £60 billion UK-wide for new-build, repair and improvement to social housing.
2. CML Scotland welcomes the opportunity to respond to the Scottish Government consultation on Developing an Energy Efficiency Standard for Social Housing.

#### **General**

3. Our members have agreed lending facilities in excess of £3 billion to the housing association sector in Scotland for new build, repair and improvement of social housing in Scotland. This will include providing facilities to assist in achieving the Scottish Housing Quality Standard (SHQS) by 2015. The development of an Energy Efficiency Standard for Social Housing (EESSH) will have individual financial consequences for lenders' housing association customers in Scotland and lenders will want to understand these, particularly where they have already granted loan facilities. We intend to restrict our comments to the potential financial implications of the new EESSH and the monitoring of progress towards achieving it.
4. We note that the proposed EESSH will be a variable Energy Performance Certificate (EPC) rating depending upon house type and the fuel source with the standard having to be achieved by 2020. It is noted that the EESSH builds upon the SHQS and the suggested EPC ratings for many houses do not go much beyond what would be expected to meet the SHQS. We believe this to be a sensible and pragmatic approach.

#### **Financial Implications and Monitoring of progress towards the EESSH**

5. We note that it is the Scottish Government's view is that for many house types the likely cost of meeting the proposed EESSH will not be much more than for meeting the energy efficiency element of the SHQS and that in some cases meeting the SHQS will mean that the dwelling will meet the 2020 target. While funding streams may be able to assist towards the achievement of EESSH the paper recognises quite rightly that the financial capacity of housing associations may be limited by existing commitments to build new houses and/or meeting SHQS. There is also the potential going forward for income streams of the sector to be impacted by welfare reform and the financial pressures being faced by tenants.
6. The financial impact is likely however to be different depending upon the circumstances of individual Housing Associations. Given the key role which the Scottish Housing Regulator (SHR) has to play in monitoring, assessing and reporting on the financial well being and governance of housing associations we would have thought that the SHR was best placed to consider the financial implications of and to monitor the plans of individual Housing Associations to achieve EESSH in much the same way as they have done with SHQS.
7. From the perspective of our members this approach has worked well for SHQS and we would see it working similarly for EESSH. We believe that if this approach was followed it would assist in providing comfort to our members in respect of the financial viability of existing Housing Associations to whom they are lending and in respect of any new lending to assist in achieving EESSH.

#### **CML Scotland**

**Further contact**

8. This response has been prepared by the CML in conjunction with its members. Any comments or enquiries should, in the first place, be directed to:

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