

Power Shift

Buildings – National Government



Both the Climate Change Committee (CCC)¹ and the National Audit Office (NAO)² have highlighted the fundamental role of local authorities in delivering on the UK Government's ambitions to be Net Zero by 2050. To do so, local authorities need more powers to act. The UK100 Power Shift report is the most comprehensive examination of the powers local authorities have and need to deliver on climate ever undertaken. It explores the wide range of powers already available to local government, the barriers to local authority action and how these could be removed or overcome, and the additional powers local authorities need. This briefing offers insight from Power Shift on the local authority role in delivering Net Zero in the buildings sector and how the Government can best facilitate this.

Background

Buildings are the second largest source of emissions after Transport.³

Residential buildings alone account for around one third of emissions from energy use.⁴ Reaching Net Zero in the buildings sector requires retrofitting the existing building stock, as well as lower emission construction and stringent efficiency standards for all new builds.

Local authorities have the local knowledge required to deliver Net Zero buildings. Their established role as place-shapers - improving services, and connections between services to make life better for citizens⁵ - brings additional opportunities to link Net Zero buildings with a shift in modal transport and other sustainability issues such as air pollution and waste. As highlighted in the Power Shift report, future Government initiatives should seek to strengthen the role of local authorities as delivery partners and fill gaps in existing powers.

¹ CCC (2020) Local Authorities and the Sixth Carbon Budget,

<https://www.theccc.org.uk/publication/local-authorities-and-the-sixth-carbon-budget/>

² NAO (2021) Local Authorities and Net Zero, HC304,

<https://www.nao.org.uk/report/local-government-and-net-zero-in-england/>

³ <https://www.gov.uk/government/publications/energy-white-paper-powering-our-net-zero-future/energy-white-paper-powering-our-net-zero-future-accessible-html-version#chapter-4-buildings>

⁴ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/875522/Annex_1990-2018_UK_GHG_Emissions_final_figures_by_end_user_sector_by_fuel_and_uncertainties_estimates.pdf

⁵ <https://www.local.gov.uk/sites/default/files/documents/good-practice-place-shapi-ab3.pdf>

Key UK100 Ask:

To build capacity and supply chains, a UK government-led, long-term plan must be put in place that supports all local authorities to decarbonise new and existing homes and buildings in their areas. This should streamline the current patchwork of law and policy and be linked to Climate Change Act and Net Zero Legislation. The plan should at least meet the manifesto commitment of £9bn public investment to deliver Net Zero in our homes and buildings and should seek to leverage further private investment to meet this goal. This priority is one of six identified by UK100's Net Zero Local Leadership Communique for immediate action.

Specific powers are also required across both existing and new buildings, as follows:



Existing Buildings:

Bringing the UK's existing building stock up to standard is arguably the most important infrastructure challenge for reaching Net Zero.

It requires decarbonisation upgrades to nearly all buildings. This presents a tangible opportunity to 'Level Up' - the North East, West Midlands, North West and Yorkshire and the Humber region have the highest per capita energy efficiency investment need in England.⁶ Local government should be enabled as a delivery partner in two key areas:

Retrofit Funding:

In its 2019 manifesto, Government promised £9.2 billion for homes and buildings, of which less than a third has been allocated.⁷ Meeting the UK-wide target for as many homes as possible to achieve an EPC rating of C by 2035 will require a total investment in energy efficiency upgrades of up to £65 billion,⁸ most of which must come from landlords and private owners. It has been estimated that up to £22 billion of capital investment could be needed for heat networks to deliver their full contribution to net-zero.⁹ A combination of targeted financial instruments, along with an overarching and effective policy framework, will give a clear signal to the market and unlock additional investment.

Local authorities are proven delivery partners in grant schemes that aim to incentivise investment – they are best-placed to assess the needs of their local areas and residents. Of the £2bn Green Homes Grant scheme, the £500m delivered through local authorities is successful and oversubscribed. The opportunity is there for the government to deliver the bulk of the national retrofit programme through local authorities. Costs to home-owners can be significantly reduced through a combination of effective policy and targeted grants.

6 <https://www.gov.uk/government/publications/energy-white-paper-powering-our-net-zero-future/energy-white-paper-powering-our-net-zero-future-accessible-html-version#chapter-4-buildings>

7 <https://www.gov.uk/government/publications/a-plan-for-jobs-documents>, <https://www.edie.net/news/11/-An-encouraging-start---Reaction-as-Treasury-unveils--3bn-boost-for-green-economy/>

8 <https://publications.parliament.uk/pa/cm201719/cmselect/cmbeis/1730/1730.pdf>

9 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/922705/green-heat-networks-fund-call-for-evidence.pdf

To date, the stop-start nature of retrofit support and highly centralised funding programmes have only served to reduce capacity in the construction sector to support delivery. Competitive schemes, often with short application timescales, frequently result in larger authorities with ready-to-go projects winning the funds, meaning money does not necessarily go where the opportunity is greatest. Such schemes do not always demonstrate a business case nor develop the capacity for other organisations to replicate.

Prioritising the social housing sector, which makes up 17% of UK building stock,¹⁰ can kickstart the market. This sector, where 40% is owned directly by local authorities, is large enough to generate the mass demand needed to encourage the development of low carbon solutions, draw in suppliers and promote up-skilling. Social landlords have a longer-term focus and a greater interest in the performance of their stock and the sustainability of future rental streams. Furthermore, the mixed tenure of social housing gives an opportunity to explore different models to pay for retrofit.¹¹ Innovative finance products, such as long-term loans must be made available to providers.¹²

Supporting energy performance improvements and the move to clean heat has the potential to grow the UK's manufacturing base and construction industry. Labour intensive building projects support more jobs per pound spent than in most other areas of the transition to net zero emissions.¹³

UK100 Government Asks:

- Recommit to the £9 billion funding pledge for Green Homes and Buildings
- Put in place long-term market signals, for example on the phase out of gas boilers
- Prioritise the retrofit of social housing
- Propose flexible, long-term funding schemes for landlords and private homeowners that utilise local government strengths in delivery
- Stop charging VAT on retrofit and heat pump installations

10 <https://www.gov.uk/government/statistical-data-sets/live-tables-on-dwelling-stock-including-vacants>

11 <https://www.theiet.org/media/5276/retrofit.pdf>

12 <https://www.local.gov.uk/financing-green-ambitions-full-report>

13 Op cit

Enforcement of Minimum Energy Efficiency Standards

Local authorities have a duty to enforce MEES in domestic and commercial rented properties by monitoring compliance with Energy Performance Certificate (EPC) requirements. This role will grow as the UK's Clean Growth Strategy sets out aspirations for more buildings to meet stricter EPC standards.¹⁴

In reality, the legislation is complex to interpret and often deprioritized unless councils are involved with tenants around other issues such as health and poverty. Local authorities lack the resources to find non-compliant properties, and to carry out the enforcement action needed. The production of an EPC is a tick-box exercise based on the presence or absence of building and energy supply elements. At present it is relatively easy to gain an exemption from MEES on the grounds of cost (domestic landlords are only obliged to make improvements if they are within £3500 cap, currently being consulted on)¹⁵ and the system relies on tenants to report problems, who often fear eviction and are unaware of the law. Landlord Licensing schemes, introduced by some Councils to ensure that properties have a valid EPC, are currently subject to approval by the Secretary of State if they cover more than 20% of properties (by area or total stock).¹⁶

A robust MEES system has the potential to contribute to cutting tenant bills (the annual energy cost of the average Band C rated home is around £750 less than the average Band E rated home)¹⁷ and drive economic growth by strengthening markets for energy saving products and services.

¹⁴ <https://www.gov.uk/government/publications/clean-growth-strategy/clean-growth-strategy-executive-summary>

¹⁵ <https://www.gov.uk/government/consultations/improving-the-energy-performance-of-privately-rented-homes>

¹⁶ <https://www.gov.uk/government/publications/selective-licensing-in-the-private-rented-sector-a-guide-for-local-authorities>

¹⁷ <https://www.gov.uk/government/publications/energy-white-paper-powering-our-net-zero-future/energy-white-paper-powering-our-net-zero-future-accessible-html-version#chapter-4-buildings>

UK100 Government asks:

- Introduce MEES standards for all buildings sold and require all properties that have carried out major renovations, refurbishment or change of use to have a new EPC issued on completion
- Revise the EPC system to be more accurate
- Remove the cost exemption for MEES for all but the hardest to treat properties
- Develop a national database of EPCs for tenanted properties
- Mandatory landlord licensing
- Increase resources, capacity and skills development for local authorities across housing, environmental health and trading standards

New Buildings:

To deliver Net Zero, Government must empower local authorities to ensure new buildings are zero carbon, with infrastructure for low carbon transport and energy supply.

Building Regulations:

Under current building regs, developments are going ahead which will require costly retrofits. The proposed Future Homes Standard will require new homes to produce 75%–80% lower CO₂ emissions by 2025 and be net zero ready,¹⁸ which will not immediately solve the problem. Whole lifecycle carbon costs are not captured – every tonne of steel produced, for example, emits nearly two tonnes of CO₂.¹⁹ Building regs are enforced by Building Control, but funding cuts have hampered their ability to do this effectively. Loopholes persist – such as assessing developments against the regulations in place at the time of a planning application.

UK100 Government ask:

- Move to genuinely Net Zero Building Regulations as soon as possible

¹⁸ <https://www.gov.uk/government/consultations/the-future-homes-standard-changes-to-part-1-and-part-f-of-the-building-regulations-for-new-dwellings>

¹⁹ <https://elements.visualcapitalist.com/sand-steel-and-cement-the-annual-production-of-the-worlds-building-blocks/#:~:text=Yet%20steel%20production%20still%20emits%20around%20two%20tonnes,steel%20production%20taking%20place%20in%20China%E2%80%99s%20coal-reliant%20plants.>

Planning:

In the absence of Zero Carbon building standards, progressive Local Planning Authorities are using the planning system to push for higher standards. LPAs set the policies that define the need for development and acceptable standards, provided these can be justified within the national policy landscape. In local plans, for example, they may designate areas where policies for above minimum standards for energy efficiency must be implemented. However, in the case of domestic buildings, national policy limits LPAs to a 19% efficiency uplift on the 2013 building regulations.²⁰ Expansions to Permitted Development are eating into powers to limit carbon emissions through the planning system.

Most of the local authorities pushing ahead are core cities with big planning teams and in-house expertise, while many rural authorities are struggling to keep up. Planning Law is not formally linked to the Climate Change Act so local authorities are not required to integrate it into local plans, and many lack the resources to do so.²¹

The Viability Test is a significant barrier to action. This is the process, enshrined in Planning Law, to assess whether a site is financially viable.²² Developers must get a return of 15-20% before any additional ‘planning conditions’, including those related to climate change, are added. Pressure to maintain a five-year housing supply (with failure to do so risking developers being able to build on land outside areas designated in the local plan) also makes LPAs cautious about asking for ‘extras’. Where private developers are unwilling to meet LPA ambitions to deliver low carbon homes they can build their own to Net Zero standards. However, under Right to Buy, councils have historically only been able to retain 30% of the receipts to invest in new homes and must spend this within three years or lose it to central government.²³ In practice this has led to a replacement rate of under 20%.²⁴

It is unclear how the Government’s August 2020 Planning White Paper, which aims to simplify and speed up the planning system, will align with Net Zero. The Paper references to the Future Homes Standard but it may simultaneously remove the right of LPAs to be more ambitious.

²⁰ <https://www.gov.uk/government/speeches/planning-update-march-2015>

²¹ <https://www.cse.org.uk/downloads/reports-and-publications/policy/planning/planning-white-paper-consultation-october-2020.pdf>

²² <https://www.gov.uk/guidance/viability>

²³ recently revised to 50% and five years

²⁴ <https://www.gov.uk/government/consultations/use-of-receipts-from-right-to-buy-sales/outcome/use-of-receipts-from-right-to-buy-sales-government-response-to-the-consultation>

UK100 Government Asks:

- Enshrine the Climate Change Act in Planning Law – require local authorities to manage carbon in local plans and give them the power to prioritise climate change over developer viability
- Revise the maximum permitted LPA uplift on Building Regulations
- Allow LPAs to retain 100% of receipts from Right to Buy linked to a requirement to build new social housing to zero carbon standards.
- Increase resources, capacity and skills development for local authorities across building control, policy and planning

Looking ahead - a joint delivery framework:

Local authorities have already demonstrated that they are well-placed to deliver government’s domestic Net Zero initiatives, successfully delivering their part of the Green Homes Grant, the Public Sector Decarbonisation Scheme, the Social Housing Decarbonisation Fund and other schemes of devolved governments. Many are working to ensure that both new and existing buildings and homes meet the highest efficiency standards, in particular the phasing out of gas boilers which is essential if our buildings are to contribute to rather than detract from Net Zero commitments.

UK100 is advocating for the development of a Net Zero Delivery Framework which will clarify the relationships between central and local action, explore funding and financing mechanisms, pool skills and expertise and play a key role in evaluation, learning and acceleration.

Local authorities can be effective delivery partners in Net Zero, acting across sectors, including housing, energy, transport and waste. All these areas should be incorporated in a Net Zero Local Powers Bill which both permits, obliges and resources relevant levels of authority to undertake climate change action to satisfy the Climate Change Act, meet carbon budgets and deliver an effective pathway to Net Zero.²⁵

The challenge of decarbonising homes exemplifies the fact that the UK is systemically incapable of delivering Net Zero within our current policy and funding structures for local government.

²⁵ Net Zero Local Leadership Communique: Delivering a Net Zero UK

<https://www.uk100.org/publications/net-zero-local-leadership-communique-delivering-net-zero-uk>

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