



**Government response to the Environmental Audit Committee
Report: Code for Sustainable Homes and the Housing Standards
Review**

Presented to Parliament
by the Secretary of State for Communities and Local Government
by Command of Her Majesty

March 2014



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House of Commons

Environmental Audit Committee

Government response to the Environmental Audit Committee Report: Code for Sustainable Homes and the Housing Standards Review

Eighth Report of Session 2013/14.

On 20 November 2013 the Environmental Audit Committee reported to the House on the Code for Sustainable Homes and the Housing Standards Review (HC 192).

The Government response to the Committee's Report was received on 13 March 2014.

Introduction

The Government welcomes the Environmental Audit Committee's report of 20 November, on the Housing Standards Review consultation, and in particular to examine the extent to which the Government had given due weight to the evidence on sustainable development in exercising its proposal to wind down the Code for Sustainable Development (the Code).

The Government has taken account of the Committee's views in considering the response to the consultation exercise. The Prime Minister announced¹ on 27 January 2014 that necessary standards will as far as possible be consolidated into Building Regulations and that the Government would make significant progress on this over the rest of this Parliament. The Government published a further announcement on 13 March 2014, setting out more details of the outcome of the Housing Standards Review, which included the summary of responses to the consultation.

Response to recommendations and conclusions

The Government has noted the Environmental Audit Committee's conclusions [1-9], and is grateful for the views offered. This note responds to the specific recommendations made by the Committee [10-13].

¹ <https://www.gov.uk/government/news/supporting-business-david-cameron-announces-new-plans>

Recommendation 1. Before drawing any conclusions, DCLG must examine the September 2013 study by Element Energy and Davis Langdon on the cost of Code for Sustainable Homes compliance with particular reference to the apparent decreases in the capital cost of installing renewable energy. It should share that assessment with us, publish it and take into account our comments before winding down the Code for Sustainable Homes (Paragraph 14).

The study by Element Energy and Davis Langdon on the cost of the Code was only made available in September 2013, after the Housing Standards Review consultation and consultation stage impact assessment had been published. The Government was therefore not in a position to take it into account at the time of writing the consultation.

The Government has now reviewed the study and considers it to be a useful contribution to the debate about the cost of housing standards. The study rightly identifies that the prices of solar photovoltaic panels have fallen since previous assessments of the cost of building to Code standards and that this is a principle driver in a reduction in costs for building to higher Code levels. Further consideration of the evidence presented in the study is set out in Annex A at the end of this response.

In taking forward the work of the Housing Standards Review, the Government has commissioned a final stage impact assessment, to develop and update the initial consultation impact assessment undertaken last summer. The final impact assessment will consider the material presented in the Element Energy and Davis Langdon study. This impact work will be published when completed, and will also be made available to the Environmental Audit Committee for its consideration.

Recommendation 2. DCLG must maintain Code for Sustainable Homes energy assessments as a tool for local authorities to lever in renewable energy until Building Regulations deliver genuinely zero carbon homes, which was the original target and is defined by Code for Sustainable Homes level 6. (Paragraph 33)

In Budget 2013, the Government re-stated its commitment to implementing zero carbon homes from 2016. This commitment has been demonstrated through the progressive tightening of Part L of the Building Regulations en route to this goal, through improved standards in 2010 and 2013. Also, a consultation paper on the next steps on zero carbon was published last summer, setting out the options to deliver another key element of the zero carbon 2016 policy package. The feedback from that consultation is now being analysed.

In the light of this, the Government proposed that energy performance standards should only be set in Building Regulations. The Prime Minister confirmed this in his announcement of 27 January 2014.

The Government does not agree, however, that the definition of zero carbon should be reset to the equivalent of Code Level 6. This would require house builders to put in place measures to mitigate the carbon arising from the energy used by household appliances. House builders cannot be responsible for controlling the use of appliances. The Government therefore revised the definition of zero carbon in the Growth Review 2011 to cover only carbon emissions arising from energy used in heating, hot water and fixed building services.

The Housing Standards Review consultation document clearly stated that in reviewing the Code for Sustainable Homes and other standards, the Government would put in place appropriate transitional arrangements for implementing the changes, including how Code assessments should be undertaken in future. Until then the Government expects Code assessments to be undertaken as usual.

Recommendation 3. DCLG must maintain and develop the Code for Sustainable Homes assessment standard on sustainable construction materials. (Paragraph 37)

The Housing Standards Review consultation document did not rule out the possibility of other standards being developed, in addition to those proposed. However, the Government did not consider that there was sufficient evidence to suggest the need for a Building Regulation or national standard on sustainable materials, not least because of the operation of European legislation and standards in this field, and we have no plans to develop one in the near future. Internationally, there is a developing focus on the sustainability of buildings and construction products, and how these are assessed. Currently there are many national and international assessment models in place. These are used voluntarily by construction clients, developers and other constructors, and materials producers.

To try to provide some clarity the European Commission has work under way to consider what could be done to encourage more sustainable buildings. The focus of the work encompasses a consideration of materials, and the impacts of construction products. A consultation about this closed on 1 October and a report from the Commission is expected in 2014. The Government proposes to await the outcome of the Commission's work on sustainable buildings before further consideration is given to a materials standard for England.

The EU Construction Products Regulation allows Member States to regulate for material sustainability but does not oblige them to do so. In the future EU Construction product rules will allow producers to use CE marking to provide environmental product declarations. Producers will be able to use this approach voluntarily, or where Member States introduce regulations to require levels of product sustainability.

The Government does not object to industry taking forward voluntary, self policed standards. Some industries are voluntarily providing environmental product declarations with their construction products for commercial reasons, and this is expected to spread, irrespective of any regulation. In the UK, various organisations (such as the Construction Products Association) have produced their own information guides to product impacts.

Finally, the Housing Standards consultation also proposed that a group of interested partners is set up to provide advice on standards. There was very strong support for the proposal in the consultation responses. The Government is considering the make up and terms of reference for such a group. This group could provide advice on the merits of a materials standard as the situation develops.

Recommendation 4. In order to facilitate local choice, to promote green growth, green exports and green innovation, to establish a meaningful zero carbon homes standard, to consolidate seven years' experience of sustainable development and to maintain and further develop incremental gains in sustainable home building, we urge DCLG not to wind down the Code for Sustainable Homes. (Paragraph 41)

The Government notes the recommendation. The Housing Standards Review consultation represented the culmination of a comprehensive process of work, involving a great many partner groups across the housing industry, including authorities and standards owners. It also built on the independent work undertaken by a group led jointly by the Local Government Association and the Homebuilders Federation, under the chairmanship of Sir John Harman, which set out a consolidated view on the future of technical housing standards.

The views of most participants in this process acknowledge that the plethora of standards needs to be rationalised. Views differ as to how far that rationalisation should extend, but almost everyone considered that a clearer division between technical standards and planning policy is needed, at the very least, and that that would necessitate revisiting the Code to evaluate which areas remain fit for purpose and which may have fulfilled their original purpose. The proposals in the housing standards consultation represent the outcome of that evaluation.

The Housing Standards Review consultation proposal for a "Building Regulations only" route to energy standards is not reigning back on sustainability. On the contrary, it is founded on the objective that through delivery of the 2016 zero carbon policy for all new homes the energy function of the Code will be overtaken by national regulations. This is now being achieved with the changes introduced to Part L of the Building Regulations which of course apply to all new homes and not just the relatively few Code homes currently being constructed.

The Code has helped build up industry expertise, innovation and skills, to support (amongst other things) the Government's 2016 policy objective. Much of this is now being mainstreamed in industry. A similar approach applies to the other areas of Code policy which were considered in the review, with the Housing Standards Review effectively taking forward the best and most sensible technical elements of the Code, and consolidating these into the Building Regulations where appropriate.

The Housing Standards Review was also tasked with establishing a clear division between technical standards and planning policy. It was therefore necessary to review the Code so that duplication could be removed. Many current Code standards duplicate policies set out under other regulatory regimes, or the National Planning Policy Framework – for example flooding, biodiversity, and ecology are covered by the Planning good practice guidance which was published on 6 March 2014.²

Finally, the Housing Standards review was asked to consider ways in which compliance with technical standards is checked, and how this could be improved and streamlined. Many locally applied technical standards, particularly the Code, carry with them a range of separate assessment processes, and also their own compliance criteria. Some of these criteria are inflexible and difficult to meet (so called “comply or fail” regimes), and some of the criteria favour particular products and privately owned methodologies with their own charging regimes.

The consultation proposed that these are all rationalised into a single point of compliance checking, to be discharged through the building control system. This would save money for authorities and developers as well as considerably speed up application processing time. It would also allow for the more flexible, site specific application of standards that the building control system offers.

Taken together with the appropriate transition arrangements, to help mitigate any problems, the Government considers that taking forward the proposals announced on 13 March 2014 represents a positive, forward looking step, effectively modernising the ethos and approach initiated by the Code seven years ago.

² <http://planningguidance.planningportal.gov.uk/>

Annex A

Recommendation 1 - additional material

The cost estimate for solar PV in the Element Energy paper is consistent with the ranges for estimated prices in 2013/14 contained in a report produced by the Department for Energy and Climate Change (DECC) for Parsons Brinckerhoff and referenced in paragraph 21 of the consultation stage impact assessment. This paragraph also recognises that the price of solar PV has fallen significantly in recent years and that the charts on page 12 of the Parsons Brinckerhoff report predict further reductions in price due to technology learning. The lower chart indicates the uncertainty associated with estimating future learning rates.

We committed in the consultation IA to undertaking further analysis following the consultation and undertake to do so. But we also note the relatively high £108 per tonne estimate for the cost of solar PV contained in the recent Element Energy paper.

However, the paper makes various assumptions about how the energy components of higher levels of the Code might be applied. These assumptions prompt questions as to how far the paper's conclusions can be generalised.

Regarding the paper's position on the costs of building to higher levels of the Code, the Government already recognises that the cost of building to higher levels of the Code has fallen in recent years. For instance, the Code cost estimates in Table 2 of the Impact Assessments are significantly less than those produced by Element Energy and published by the Department for Communities and Local Government (DCLG) in the Updated Cost Review of the Code in August 2011.

However, we have particular concerns about the assumptions underpinning the recent Element Energy paper's estimate of Code Level 5 costs. Specifically the paper suggests that the fall in solar PV prices means that an energy strategy with improved fabric, a high efficiency gas boiler and solar PV is now a viable option at Code level 5. A caveat is added that this is dependent on there being sufficient roof space. But there is insufficient evidence in the paper to justify making this assumption for all new homes in an area, so we are reluctant to accept that the paper's cost conclusions can be generalised on this basis.

The Zero Carbon Hub has undertaken extensive work to estimate a reasonable proportion of on-site renewables, in consultation with a wide range of industry participants. A Task Group specifically looked at the issue of the area of PV panels relative to floor space which would be feasible on every site. This concluded that 40% was the limit beyond which design could maximise solar orientation on some sites. The choice of design features such as dormers, or designs to fit in with a local vernacular style, would also be affected beyond this limit. Accordingly, the Task Group considered that 40% is the maximum reference point for feasibility. Its subsequent analysis suggests that a home built to Code level 5 standards would not meet this requirement.

Because of concern that a typical new home would not be able to achieve the energy components of Code level 5 through the solar PV route (as proposed in the paper), the Housing Standards Review consultation impact assessment assumed a more expensive strategy involving a Ground Source Heat Pump, in addition to the other technologies.

Given the relatively small number Code level 5 homes completed so far (under 600) the Government would suggest that more experience is needed to identify the most appropriate technology mix to optimise cost effective and realistic construction to this level. The Government notes and agrees with the paper's acknowledgement that achieving Code level 6 remains a challenge both in technical and in cost terms.

Sources:

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Zero Carbon Hub.

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