Policy Update – November/ December 2013

Construction Industry Council

Scrutinizing the Energy Company Obligation

It has been widely reported that following the Labour pledge for a temporary freeze on energy bills, the coalition government plans to reduce the impact of the “green tax” element in energy bills by lengthening the time scale for the insulation scheme under the Energy Company Obligation. This free insulation scheme for low income households will be spread over four years rather than two.

Following the statement by David Cameron on October that he intends to “roll back” green levies, more information is expected in the Autumn Statement on December 5. The UK Green Building Council is very opposed to this move and has pointed out that the ECO scheme is still a powerful force driving the home insulation market. They predict that some 10,000 jobs could be lost as a result.

Environmental Audit Committee - HSR

The House of Commons Environmental Audit Committee has published its report on the Code for Sustainable Homes and the Housing Standards Review. This report is sharply critical of the decision to wind down the Code for Sustainable Homes (CSH).

The committee’s inquiry into the Housing Standards Review consultation was designed to establish whether DCLG had given sufficient weight to the evidence on sustainable development in proposing to wind down the CSH.

The report points out that DCLG projections indicate that the number of households in England will increase by 10% over the next decade from 22.1 million in 2011 to 24.3 million in 2021. That equates to the formation of some 220,000 new households a year. In that context, the Future Homes Commission has argued that some 300,000 new homes must be constructed in Britain each year to keep pace with likely demand. In light of the volume of construction required to meet medium term demand for housing in England, Wales and Northern Ireland, DCLG has a once in a generation opportunity to embed sustainability in the national housing stock through appropriate regulation. Unfortunately, the regime proposed in the HSR consultation is too weak to ensure that those homes will be constructed to a robust sustainable standard, the committee concludes.

The report acknowledged that the CSH as it currently stands needs to be updated. The conclusion reached is that if DCLG were to update the CSH to take account of evolving technology and standards of sustainability, it would have an effective mechanism by which incrementally to embed sustainability into the home building process for the long term.

Infrastructure investment – consumer bills

The National Audit Office (NAO) has produced a report analyzing the impact of infrastructure spending on consumer bills.

The National Infrastructure Plan 2012 identified £310 billion of investment needed in UK infrastructure over the next decade and beyond, of which 67% is expected to be financed privately. Of this £310 billion, some £176 billion is needed to replace infrastructure in the energy sector.

The need for new infrastructure is driven by the need: to tackle climate change and ensure energy security; to comply with environmental and public health standards; to maintain existing infrastructure as it ages; and to cope with rising demand from a population expected to grow 11 per cent by 2030.

Analysis of the latest data shows that between 2002 and 2011, energy and water bills rose 44% and 21% respectively. During the same period, median incomes were at the same level in 2011 as they were in 2002. Energy prices have different impacts on different sectors of the population. Although in 2011 the average household spent 8% of household spending on energy and water, in 2011 low income households spent 15% of their spending on energy and water bills. Funding infrastructure via bills is more regressive than taxation as it requires proportionately greater expenditure from those on low incomes. The NAO report criticizes the lack of consistency across sectors in respect to forecasting bills and measuring affordability.

Allowing for the fact that future bills will be influenced, by factors such as changes in world energy prices, the central projection from DECC is for an 18% increase in energy bills by 2030.

Liability Panel advice to BIS

On 22 October, Sarah Lupton, chair of the Liability Panel, Gillian Birkby a lawyer and a panel member and Ciaran Molloy, CIC policy officer met with Laura Harbridge at the offices of BIS.

Laura Harbridge is responsible for the new Consumer Rights Bill as it progresses through its parliamentary stages. The purpose of this meeting was to discuss the submission prepared by Sarah Lupton and Gilian Birkby in relation to the Bill, which has been posted on to the CIC website. In particular, the CIC delegation pointed out that the current proposed wording of Section 52 of the Bill which declares in rather broad terms that anything spoken or written in relation to a service ought "to be taken into account" , may be too wide. While the CIC delegation acknowledges the validity of oral contracts, nonetheless "the spoken element" of this provision could create difficulties as inevitably memories may differ as to what took place. Furthermore there may be an unintended effect, in that parties might be discouraged from putting their agreements into writing.

Good homes debate

The Good Homes Alliance, a multi-disciplinary organization established in 2006 has published a "white paper" setting out initial ideas to promote a National Good Homes Plan. This would be a ten year plan to build 3 million new homes involving the creation of new towns and the involvement of local authorities in enlarging existing settlements. Other aspects of the plans include the adoption of a national minimum space standard and the integration of sustainability requirements into the building regulations. The white paper also includes examples from exemplar projects throughout the country.

PF2 plans set out

The government has now published the new standard legal documents setting out the proposed terms of the Government's investment in the new generation of PF2 projects which involve public sector equity.

Last December, the government announced that it will be able to invest a share of the equity in future PF2 projects, its preferred model of public private partnership. As a shareholder, the public sector will have a seat on the board, giving it a stronger voice on the decisions concerning management of the project companies, marking a step towards increased transparency and better partnership relationships between the public and private sectors.

Following a consultation issued in July 2013 which elicited representations from business, industry groups and other interested parties, the Treasury has published its findings and set out details of the new arrangements. On projects, the Government will invest alongside the private sector in a 'joint venture company'. Each company will be majority owned by the private sector and the government will invest on the same terms as the private sector.

The new legal documents published on 16 October 2013 set out details of the voting arrangements, the Government's right to appoint a director to each company and the increased information which other shareholders will be required to disclose. The intention is that the Government's new approach will provide the public with more visibility over who has a financial interest in its schools and hospitals by requiring investors to disclose the beneficial owners of their investments in PF2 projects. The arrangements also incorporate the Government's new policy regarding tax compliance and public procurements.

Brighter urban future?

Building Futures, the think tank of the RIBA has produced a report, Silver linings: The Active Third Age and the City, which suggests that an aging population will have an important role in shaping future life in towns and cities.

Over the next twenty years, the number of people aged over 60 will increase by over 40 per cent, compared with just a 7% increase in those under 60 years old. This growing and aging population represents an unprecedented phenomenon, particularly as the active old (60 – 74) is still very engaged in leisure and cultural pursuits. This report points out that today people over 50 constitute one third of the population but own 80% of the wealth. They represent formidable economic and political power.

How will our new population change our cities? Will people be able to afford luxury, jet-setting lifestyle in retirement or will extended families living under one roof become the norm? Will high streets find a new lease of life hosting health hubs, child care and universities, revived by the retired, but active Third Age? What could become of our declining coastal towns, if they were re-thought around an Third Age workforce? This report projects the image of a world in which this group have become the answer to some of our most pressing economic and social challenges and encourages us all to think about the way in which we can harness this incredible new resource to kick start city economies and safeguard urban communities.

Inefficiency in the road network

A new report from the ACE, "Funding roads - Reducing inefficiency and securing investment in roads for future generations" takes a macroeconomic approach to explore the potential inefficiency and loss of economic productivity as a result of the current condition of the road network. This report considers a number of inefficiencies as part of this loss, with a total annual inefficiency of £12.2bn across England's entire road network.

One of the concerns emphasised in this report is that this annual inefficiency adds up quickly over time, and given recent Government estimates that the number of hours each household will spend in traffic by 2040 will rise to 70 hours, with inefficiency on a path to reaching £27bn annually. The Government should be aiming to reduce inefficiency in the network, not mitigate a rise. As such, this paper suggests two models which move both Government and policy making towards stable investment mechanisms to ensure that the road network receives the maintenance and investment it requires. These models are underpinned by the principle of a long term asset management approach to both the local and strategic network and they consider the risks that the private and public sector are able to bear under each scenario.