The voice of our sustainable
built environment

UK GBC

Autumn Budget Representation 2024

September 2024

The UK Green Building Council represents the unified voice of the UK's sustainable built environment industry. It is a charity powered by more than 700 members from banks, large estate owners, housebuilders, and manufacturers to innovative startups, universities, local councils and government departments - all working to transform the built environment in the face of the climate, nature and cost-of-living crises.

This budget submission welcomes Labour's manifesto commitment to upgrade 5 million homes in 5 years, backed by a £13.2bn investment and asks that Treasury confirms the scale of investment in the existing suite of retrofit schemes at this year's Autumn Budget so that industry can begin to invest, recruit and skill up for delivery on a larger scale.

We also ask that Treasury sets out a long-term roadmap at the Spring Comprehensive Spending Review (CSR) for upgrading all of Britain's homes in order to bring down heating bills for good, protect energy security and meet our climate commitments. Similar to the Labour Party's own assessment previously, our analysis shows that this will require government investment in the order of £64 billion over the next 10 years bringing huge health, economic and social benefits to the country, including more than £23 billion in savings to greening the electricity grid.

In tandem with this, we propose several revenue-neutral mechanisms to mobilise private investment into the transition to warmer homes and cleaner heating: a simple alteration to Stamp Duty Land Tax with a 'rebate to renovate' incentive will steer the housing market to reflect the energy performance of a home and attract large scale private investment in home retrofit. A shift in levies from electricity bills to general taxation will support electric heating uptake.

We have renewed our call for funding for local authorities to act as drivers of action to upgrade and protect the places we live, work and play. Local authorities urgently need strategic support to boost the recruitment, skilling up and retention of retrofit officers and planning officers. This investment in capacity would unlock major local and national resources and investment to upgrade existing homes, public buildings and highstreets, and to make sound, rapid planning decisions and shape local area plans.

Dialling-up investment in our net zero future is not just the consensus recommendation of the vast majority of industry, business, and society – it is central to Labour's promise to bring down household energy bills and revitalise the UK's towns, cities, and infrastructure. Stimulating a national green economy with clear, robust policy commitments is the most fiscally prudent and economically beneficial strategy for tackling the UK's most chronic problems, including energy security, cost-of-living, long-term health and social challenges, and climate breakdown. This is mission critical for our country, our people, and our planet.

Warm Homes Plan investment: Labour have committed to double the investment of the previous government to upgrade the nation's homes. Their target of upgrading 5 million homes by 2030 will require a new approach to avoid another mismatch between investment and delivery. Spending should be spread across multiple delivery routes, with most investment directed towards low-income households. The Government should build on current delivery routes, as well as new spending to kick-start home upgrade loans, heat and energy planning and reducing the running costs of clean heat.

Labour's increased investment of £7.5bn over five years is welcome, but our industry-backed analysis shows it will fall far short of the critical task of decarbonising our housing stock and protecting vulnerable households from fuel poverty, illness and crisis, and is insufficient to scale up industry efforts. We would like to see commitment to increase this to at least £6bn per year and extend the programme for ten years so that industry and the country has the chance to plan and deliver a long-term sustainable programme.

UKGBC's National Retrofit Investment Calculator was developed with experts from ARUP, Leeds Beckett University, Thermly and PwC to assess the retrofit measures needed in homes across Britain, the government and private investment needed to deliver this, and the huge benefits to the economy, jobs, health, climate and energy security that this would bring. Our analysis shows that Government investment in the order of £64bn is needed over 10 years, complemented by a suite of policies to encourage around £94bn private co-investment over the same period, returning around £77bn to the Treasury and avoiding an expensive oversized electricity grid through home insulation measures which reduce energy usage.

Stop-start funding and policies have undermined industry confidence to invest, skill up and scale up. This makes delivery of immediate term retrofit works more expensive and lower quality, as well as being a barrier to large scale work over time. A ten year policy strategy to fulfil the Warm Homes Plan, and an in-principle commitment to higher levels of government investment, would help build trust. It would help deliver visible progress in the early years of a new Labour government and build the necessary foundations and momentum towards delivering longer-term ambitions.

UKGBC would like to support DESNZ and the Treasury to design a long-term investment strategy for Warm Homes, bringing in the expertise and experience of industry to spot the quick wins, and avoid the problems and pitfalls that previous approaches have suffered from.

Stamp duty reform: Homeowners and landlords are much more likely to invest their own money in measures such as insulation and heat pumps, if they see their investment reflected in selling prices, as they would expect with a new kitchen or bathroom. We encourage Labour to commit to modernise Stamp Duty so it is nudged up or down to reflect the energy performance of a home. Those who improve their homes performance within two years of purchase would receive a 'rebate to renovate' - the difference between the stamp duty paid, and that which would have been paid had the work already been done.

For average and high value homes, the scheme could be revenue neutral to the Treasury. For households buying low-value homes the scheme would raise awareness and then efficiently channel grant support to subsidise the costs of work. This 'Energy Saving Stamp Duty' would prompt householder investment in energy saving technologies by drawing attention to energy performance and understanding of improvements required – both of which give buyer's an opportunity to negotiate on price.

The approach has the potential to drive a long-term sustainable market for energy saving home upgrades, giving certainty to businesses and empowering consumers by incentivising upgrades to their new or existing home. The approach would allow a smooth ramping up of capacity, experience and skills to ensure high standards of retrofit nationwide, giving certainty to households, investors and businesses, and unlocking immediate industry action with guaranteed market demand. The longer-term market approach would encourage innovation and cost reductions over time as new entrants and economies of scale impact the market.

This proposal has gathered significant momentum and support across the industry – from banks and estate agents to manufacturers and installers and beyond. A recent public opinion poll from The

Behavioural Insights Team showed 78% public support for the stamp duty policy[1]. Stamp duty has been a reliable revenue source for the Treasury for many years and this new approach allows it to remain so, or has the flexibility to be coupled with support for lower income families in poor performing homes. It could be tapered out over time as it fulfils its goal and helps meet the Chancellor's energy saving and climate goals.

We would be happy to convene input from across the finance and built environment industry to inform your policy development in this area.

Levies from electricity bills to general taxation: Electricity prices in the UK are around four times as expensive as gas. This discourages households from switching to a heat pump, despite them being around three times as efficient as a gas boiler, prevents heat decarbonisation, and places an unfair cost on the 2.3 million homes heated with direct electric. Reducing electric heat pump running costs will be crucial to make clean heat affordable, desirable and accessible for all UK households. With a third of total heat pumps installed going into fuel poor homes and with a high proportion of fuel poor households using direct electric heating, steps should be taken urgently. We propose moving levies from electricity bills to general taxation will help rebalance the cost of gas and electricity to support the move to heat pumps and other forms of low carbon heating, make heat pumps as affordable to run as a gas boiler, and support a significant number of fuel-poor homes move out of fuel poverty.

Improvements to VAT: Energy saving technologies and materials (ESTMs) should receive extended VAT relief to provide tax incentives worth approximately £280 million to improve the energy efficiency of homes over a five year period (as per Spring Statement 2022 and previous consultation). UKGBC is largely technology agnostic, but differential application of VAT relief disadvantages some useful energy saving technologies unhelpfully reducing the options available to home and building owners and reducing the grid balancing potential that these technologies could provide. More energy-saving technologies and materials should be brought into the scope of the relief to fulfil the Government's commitment to Warm Homes and help households improve the energy efficiency of their homes by reducing the VAT due on installations of qualifying materials and technologies. This will enable more households to install ESTMs, improve the energy efficiency of their homes, and thereby reduce their energy bills and reducing costs on UK families, and supporting the path to net zero by 2050.

Local authority retrofit officers: Local authorities are well placed to act as a coordinator of retrofit in their area, supporting the strategic development of skills and supply chains in every part of the country, and applying for the plethora of funding and grant schemes available for low income and social housing. In previous years when retrofit was being carried out at a much larger scale, each local authority would have large teams of staff working in this area. In some local authorities this has dwindled to less than one full time officer. This means that those local authorities are unable to compete and apply for the grant schemes and are not in the position to boost their local economies with this work. We recommend long-term funding to support retrofit and heat decarbonisation training with costs of £25m in year one, ramping up to £40m in year two.

Local authority planning officers: The Government's commitment to 300 new planning officers with £20 million of funding is encouraging as a contribution towards reducing the delays in planning applications. These hold back a large number of refurbishment, repurposing and new build projects which could provide economic opportunity, employment, and housing in every part of the country. At face value the funding seems sufficient, with the median salary of a planner at £33,000[2] and median recruitments costs of up to £3,000[3]. However, the salaries of planners have significantly declined in real terms since 2005 and local authorities struggle to recruit and retain mid to senior grade planners, with a

[1] 2023 BI report
[2] 2023 RTPI report
[3] 2022 CIPD report

quarter of planners moving to the private sector between 2009 and 2020[4], meaning there's often an experience shortfall in Local Planning Authorities. For the Government's investment in planning officers to see success, we recommend they look to increase the funding for planning officers, skills and training, to ensure the roles are competitive with the private sector, both in terms of salary and skillset. In the long-term the Government should look to allocate funding that will allow the transformation of the sector to be more forward-thinking, data-driven and innovative (such as digital transformation) so local authorities are attractive to planners of all experience-levels. This will ensure less planning application delays, and reduce the erroneous and contradictory decisions being made and subsequently challenged.

If you have any questions about the content of this budget representation please contact kirsty.girvan@ukgbc.org.

[4] 2023 RTPI report