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Document Title	Response to the Scottish Government's 'Social Housing Net Zero Standard' Consultation

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**REPORT TO:** Members' Library Service

**MEETING DATE:**

**BY:** Head of Housing

**SUBJECT:** Response to the Scottish Government's 'Social Housing Net Zero Standard' Consultation

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## **1 PURPOSE**

- 1.1 To note the submission of East Lothian Council's response to the Scottish Government's consultation on the Social Housing Net Zero Standard.

## **2 RECOMMENDATIONS**

- 2.1 Members are asked to note the potential policy implications, particularly in relation to the Council's Housing stock moving forward. The response can be found in the Background Papers attached to this report.

## **3 BACKGROUND**

- 3.1 The Scottish Government published its consultation on the [Social Housing Net Zero Standard](#) on the 28<sup>th</sup> of November 2023. Reducing emissions from buildings will play an important part in ending their contribution to climate change. Homes and workplaces within East Lothian will need to transform so they are more comfortable, efficient, and green.
- 3.2 East Lothian Council currently owns over 9,000 Council houses, in addition there are 2,675 homes within East Lothian owned by Housing Associations<sup>1</sup>. These properties would need to meet new measures proposed in the consultation. This will help to reduce climate change emissions from social housing which is aligned with Scotland's 2045 net zero target. The works that will need to be undertaken are significant and will represent a change in how many currently heat their home. The proposals would mean that social housing will need to use 'zero direct emissions heating systems' to provide heat and hot water. Home Analytics data shows that 87.5% of social housing within the region is heated by

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<sup>1</sup> Scottish Housing Regulator 2022/23

what is considered a polluting system, with 86.3% of homes using mains gas.

3.3 The consultation allowed the Scottish Government to consult on their proposals for a new SHNZS to replace Energy Efficiency Standard for Social Housing 2 (ESSH2). Following on from the consultation, the Scottish Government will commission an independent analysis of the responses to help inform its decision making.

3.4 The proposals aim to:

- Be compatible with and enable progress towards net zero targets.
- Be compatible with Scotland's fuel poverty targets.
- Be compatible and consistent with Scottish Government proposals for other domestic buildings.
- Support a just transition to Net Zero.
- Set a timescale for meeting the SHNZS which recognises the pressures on social landlords.
- Support the Scottish Government's heat network targets.
- Take a realistic view of the whole system costs.
- Address concerns about the Standard Assessment Procedure as the underlying methodology for a new metric.
- Provide flexibility for specific circumstances while still requiring action.

3.5 The proposed SHNZS (to replace ESSH2) includes the following:

- A fabric efficiency rating (which focuses on the amount of energy for heat consumed by a property) measured in **kWh/m<sup>2</sup>/year**.
- A requirement to replace polluting heating systems with a clean heating alternative by a backstop date of 2045.

## **CONSULTATION RESPONSE**

3.6 in response to the consultation, meetings were held between the Housing Strategy Team, Senior Energy Officers and Housing Assets to inform the Council's response to the consultation. Draft responses were produced and sent out to relevant teams for review and feedback. This joined up approach allowed a considered response to be sent to the Scottish Government

3.7 The first section of the consultation focussed on proposals for the Fabric Efficiency Rating of homes. While the response was supportive of measures to improve fabric efficiency, concerns were raised about how this would be funded and the possibility that if there is not adequate funding from Scottish Government this could result in an increase in rents and more people suffering from fuel poverty. A staggered approach to the introduction of measures was preferred, this would allow new technologies to be utilised and more opportunity to review and assess measures that are installed. The response stated that in our opinion It would be beneficial if the target fabric rating was in line with the overall rating of the home, meaning that properties which are more difficult to bring up to standard

would still have to meet a good standard for the fabric rating, but this would not be as onerous.

- 3.8 The second section of the consultation looked at measuring performance in particular how performance against the fabric efficiency rating should be measured. Concerns about the reliability of modelled data were raised and it was felt that some real world testing should be undertaken in order to ensure that there are realistic performance measurements across a range of homes, areas and build types. Although it was felt that any pilot that was widespread risks being intrusive to tenants as well as financially burdensome to the landlord.
- 3.9 In the next section respondents were asked for their view on the proposal for a minimum fabric efficiency standard. While in favour of this the response highlighted the need for the provision of guidance as well as technical expertise to Councils to ensure that staff are adequately equipped to make the correct decisions. Concerns were raised around the difficulties of retrofitting mechanical heat ventilation and the cost to landlords of installing these measures. There was also concern raised around whether in some cases this will result in vast sums being spent for little tangible benefit to the tenant.
- 3.10 The next section of the consultation asked for views on the requirement to install a clean heating system by 2045. The Council are supportive of this, however, there were concerns about the costs to tenants of some of these heating systems and the possibility of higher fuel bills. There were also concerns about the space some of these systems such as heat pumps require and the difficulty in installing them in tenement properties.
- 3.11 The response highlighted the Council's preference for option one where milestones which would require proportions of each landlords' stock to have had clean heating installed by target dates. Some of the indicative dates were felt to need some fine tuning. The response was also supportive of neighbouring landlords working together to reach targets on a regional basis.
- 3.12 Views were sought in relation to exemptions from the standard. The response felt that some exemptions could be in place, but these would need to be closely scrutinised, for example by Scottish Housing Regulator technical audits. The response stated the view that targets should be varied by guidance as all circumstances will be different and there may be issues particularly with conservation areas and historical buildings.
- 3.13 Views were also sought on mixed tenure housing and whether the new SHNZS should apply to mixed tenure properties. The response stated the view that it should apply, concerns were raised with the belief that funding will remain an issue as not all homeowners will have the necessary funds to install these measures. The response noted the Council's agreement to an extent that for some blocks where the local authority or RSL is not a sole or majority owner, then a phased approach to retrofit work should be undertaken. There were again concerns around costs implications as well

as the fact that it is not practical to undertake some works on a property-by-property basis for example wall insulation.

- 3.14 The consultation asked whether SHNZS should apply to Gypsy/traveller sites. The Council agreed that it should, stating that where these are rented out by social landlords there should be an obligation to meet the same standards as other properties.
- 3.15 Finally, views were sought on the timetable for introducing the new SHNZS. The response noted that it is felt that the timetable is achievable but there is a shortage of resources which would need to be addressed along with any material shortages.

#### **4 POLICY IMPLICATIONS**

- 4.1 If the proposals from the Scottish Government go ahead, there will be policy implications for how the Council manage its housing stock. In addition, the cost of retrofitting older properties and additional costs for new builds combined with a reduction in funding for the Affordable Housing Supply Programme will impact upon the level of affordable housing delivered within the region by both the Council and RSL partners. Levels of new housebuilding will be reported on within the annual Strategic Housing Investment Plan and any major works to current stock will be reported upon within the annual LHS update.
- 4.2 There may be a reduction in fuel poverty from homes which are more energy efficient, however if rents are increased to pay for these new measures that impact will be negated.

#### **5 INTEGRATED IMPACT ASSESSMENT**

- 5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

#### **6 RESOURCE IMPLICATIONS**

- 6.1 Financial – additional cost burdens incurred by installing measures required to meet net zero standards.
- 6.2 Personnel – none
- 6.3 Other – none.

## 7 BACKGROUND PAPERS

- 7.1 Scottish Government Consultation - [Consultation on a new Social Housing Net Zero Standard in Scotland \(www.gov.scot\)](https://www.gov.scot/resources/documents/2023/06/230623_Social_Housing_Net_Zero_Standard_in_Scotland.pdf)

Appendix 1- Consultation on Social Housing Net Zero Standard – response

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<b>DATE</b>	12 March 2024

### Consultation on a new Social Housing Net Zero Standard in Scotland

#### Consultation Questions: Questions on a Fabric Efficiency Rating

1. To what extent do you support the use of a fabric efficiency rating, based on heat demand, in the SHNZS? Strongly support – Somewhat support – Neither support nor oppose – Somewhat oppose – Strongly oppose – Don't know.

Please include any additional comments below. ....Free text box.

Strongly support.

The fabric of the building is key to its energy efficiency we must ensure that building fabric is improved and to discourage the use of excessive and inappropriate low carbon or renewable trade-offs.

We support proposals to introduce a fabric rating. The fabric rating will play a crucial role in improving the fabric of homes. The use of zero direct emissions heating systems such as heat pumps will require homes to be well insulated if they are to be effective. We support reducing emissions and improving the fabric of homes is the most effective way of bringing about a reduction thus using less energy and lowering bills for tenants.

Scottish Government should provide clear guidance and support to landlords to ensure consistent application of the Fabric Matric methodology which will be used to calculate the rating.

It is important that adequate funding is made available from central government to subsidise these works. Without adequate funding rents will need to be increased, risking pushing tenants into poverty.

2. Of the options presented for the fabric efficiency rating, which one do you support for the new SHNZS? ....Free text box.

We support the introduction of a fabric efficiency rating, our preferred option from those within the consultation would be the second option.

It allows spend to be staggered, allowing a higher volume of stock to be improved in each 'phase'. In addition it provides time for new/cheaper technologies to reach the mass market. Thirdly, a staggered approach allows for a review and assessment of specific measures fitted at level one, and the ability to pinpoint upgrades that may not be as effective as anticipated.

There are concerns that the calculation is too complex. Having something based on kwh/m2/year is overly complicated for both those working in housing and for those living in social housing.

3. Are there additional options for the fabric efficiency rating that you think should be included? If yes, please describe these here: ....Free text box

It would be beneficial if the target fabric rating was in line with the overall rating of the home. This would mean that properties that are more difficult to bring up to standard would still have to meet a good standard for the fabric rating, but this would not be as onerous. It would also mean that newer and easier to retrofit homes would have to have a higher fabric rating. More stringent level could be used for homes in areas of highest level of deprivation (measures by SIMD) with the staggered level for those not.

### **Consultation Questions: Questions on Measuring Performance**

4. What, if any, are your views on how performance against the fabric efficiency rating should be measured? .....Free text box.

Ventilation and monitoring strategies should be required where MVHR is not installed to ensure the properties are up to standard. Regardless of MVHR presence, monitoring indoor air quality is essential. Regular checks ensure effective ventilation and occupant well-being.`

It is our view that there should be some pilot areas where real life testing is undertaken to provide realistic performance measurements across a range of homes, areas and build types. This will enable councils to take effective decisions regarding what direction to take regarding both retrofitting and new build. Overall there are concerns that the SAP or any modelled data is inaccurate, these pilot areas would provide more realistic figures. However, there is still some use to SAP in comparing large numbers of homes. It would be unrealistic to obtain real world information from every social home and many tenants may find it intrusive as well as the added financial burden that would be placed on Councils, making this transition will require huge amount of funding and support to put this into effect.

### **Consultation Questions: Minimum Fabric Efficiency Standard**

5. What are your views, if any, on the proposal for a minimum fabric efficiency standard? .....Free text box.

The 'List of measures' is a welcome proposal.

However suspended floor insulation is a significant exercise both in cost and complexity of works which no landlord will achieve in the timescales given. That's said, suspended floor insulation remains an extremely effective measure and perhaps should only be included as part of longer term strategy e.g. in line with rewiring homes.

CWI should be replaced with 'appropriate wall insulation measures'.

6. What, if any, are your views on whether homes should not be relet if they cannot meet a minimum fabric efficiency standard? .....Free text box

We do not agree that if the minimum fabric efficiency measure is not met by 2028 that this should mean the property can no longer be let out. Social housing is in huge demand within East Lothian, with over 4,000 applicants on the housing list, having stock lying empty would punish those who desperately need a home. The timescales are unrealistic that it is only three years and some of these properties, will require complex work to be undertaken. Not all homes are suitable for cavity wall insulation and in mixed tenure blocks organising such works may be more difficult. It will also need to be fully funded, at a time when budgets are limited undertaking such work will impact upon the delivery of new housing. The availability of tradespeople to undertake the work will also need to be taken into consideration. Would these proposals mean having to demolish perfectly good homes that happen not to be as energy efficient as we would like?

We are of the opinion that it risks depleting stock levels. Within East Lothian demand for social housing is high and the private market is unaffordable for many. Any reduction in numbers of social homes would punish those who are most vulnerable. Perhaps these homes could be let out at a lower rent for example at 75% rather than removing them altogether at a time when many councils are declaring a housing emergency. It also potentially means uprooting people from homes they have lived in for a period of time and causing unnecessary stress.



### **Consultation Questions: Additional Requirements**

7. What, if any, are your views on whether ventilation and monitoring strategies should be required where MVHR is not installed? .....Free text box.

We are supportive of this. However, there must be clear guidance from the Scottish Government in terms of what they expect to see in the strategy. It will also require expertise in this area being made available to local authorities to ensure that strategies are fit for purpose and beneficial for tenants. Many LAs will not have members of staff who are experts in mechanical ventilation, so it is essential that guidance and support is provided.

As more and more retrospective thermal/air tightness energy efficiency measures are planned and installed within our existing built stock, it is going to be very important for appropriate risk analysis (e.g. WUFI) and air quality modelling/monitoring practices to dovetail with proposed measures to ensure any future risks to buildings or their inhabitants is avoided or suitably mitigated as part of the planning stage.

Ventilation is often forgotten, MVHR retrofitting can be difficult. If the filters are not changed the system stops working and will impact on air quality. There are also additional costs such as maintenance cost for changing filters (which need to be changed every 3 to 6 months in certain cases) and then there is the potential for tenants switching it off.

Without additional support it is unlikely Local Authorities will have the funds to meet standards. There are diminishing returns, spending more to get smaller and smaller benefits for the tenants, in some cases there are no tangible benefits to the tenant.

### **Consultation Questions: Clean Heating**

8. To what extent do you support the requirement to install a clean heating system by 2045?  
Strongly support – Somewhat support – Neither support nor oppose – Somewhat oppose – Strongly oppose – Don't know. Please include any additional comments below. ....Free text box.

Strongly support.

This measure could assist in really driving change where resistance is being met, due to established behaviour and familiarity with gas central heating.

However, it is imperative that the alternative options must be effective and affordable to run for tenants. This is particularly true while electricity costs remain high, which will impact upon the fuel bills tenants face if they are replacing an all gas system. It will be important to investigate providing battery storage and solar panels to reduce costs in the first instance, delaying will inevitably see costs rise and a less effective piecemeal approach. This should be done at the earliest stage and funding made available from central government to allow this.

It is also important to educate people, an ASHP works in a different manner to gas central heating and tenants need to be given the opportunity to learn how it works in advance of installation. Some tenants will not want to replace their gas central heating with an ASHP or alternative, how do we counteract this without in effect forcing them? There is also concern that the grid capacity is not ready to take this amount of electricity required for such large scale installation of ASHP.

There are also space issues in terms of installing ASHP particularly with flats, where it wouldn't be feasible to install 6 or 8 ASHP so that each individual property has one. This would be exacerbated further if it were a mixed tenure block even worse.

As well as air source, alternative such as shared ground loops should also be explored to see if these can compete with gas as a clean heat system.

9. Of the options presented for the interim targets, which one do you support for the SHNZS?  
.....Free text box.

We are supportive of option one.

It is important that rural homes are also targeted too, and it could well be that as part of option one a certain proportion of homes within rural areas need to have zero direct emissions heating systems installed. Having a rural only target such as option 2 would potentially be difficult particularly in areas with high levels of stock in rural areas. There are also likely to be supply issues with converting large numbers of properties in rural areas and it makes more sense to target properties in both urban and rural locations.

Alternatively we could have measures where off-gas properties are required to meet more challenging deadlines.

10. What are your views on whether neighbouring landlords could work together to reach such a target on a regional basis? .....Free text box.

We are supportive of neighbouring landlords working together. This could bring down costs through economies of scale and allow learning opportunities across local authorities in terms of what works well. It is important that central government play a part in facilitating this to ensure that there are channels through which parties can get in touch in the first instance. Any approach which is taken will need to be in line with LHEES strategies to ensure projects are joined up and progress is made across all tenure types and non-domestic buildings.

Heat networks (and the infrastructure needed to support them) will require significant planning to be a success. These options should be explored/planned through LHEES early on, with high density areas using such heat supply options as part of their clean energy heat supply method (after initially focusing their attention to fabric/thermal optimisation). If heat networks can work on scale, it would enable the removal of many standalone heating systems in homes. However, there needs to be effective price controls in place where there is a sole energy provider to ensure this monopoly is not abused.

11. Are there any additional options for interim targets that you think should be included? If yes, please describe these here: .....Free text box.

The jump from option 1 at 10% of properties by 2030 and 70% by 2040 seems quite large. It would be beneficial perhaps to have a target for 2035 too. This would allow Councils to show that they are on track and would mean that works are staggered and there is no last minute rush to reach 70% by 2040 which would impact upon supply chains and make it even more difficult to do the work.

While we appreciate the desire to avoid landlords delaying until closer to the backstop, but there are cost and technology benefits of taking a steadier and more considered approach towards clean heat. It may be better to wait for multi-property heat network measures rather than rushing in expensive single property ASHP. A more gradual target curve would also allow for more investment in fabric measures in the early years.

12.To what extent do you support the requirement for mandatory connections to heat networks under certain circumstances? Strongly support – Somewhat support – Neither support nor oppose – Somewhat oppose – Strongly oppose – Don't know. Please include any additional comments below. ....Free text box

We support this if the costs to tenants are similar to energy prices they currently pay. The concern is that tenants will be limited to a single supplier and will be unable to shop around for a better deal. Tenants could potentially be held to ransom by the supplier. However, prior to this a fabric first approach must be taken. There needs to be some consideration given to how these are enforced and who has the power to enforce this. If not enforced does this mean people effectively have no heating?

#### **Consultation Questions: Exemptions**

13.To what extent do you support the need for landlords to have an element of discretion to ensure measures are cost effective and in the best interest of tenants? Strongly support – Somewhat support – Neither support nor oppose – Somewhat oppose – Strongly oppose – Don't know. Please include any additional comments below. ....Free text box.

Somewhat oppose.

Would the landlord necessarily have the best interests of their tenant at heart or would it come down to monetary considerations. There needs to be support in place for landlords so they can navigate what is quite a difficult path. We do agree with some exemptions, but these would need to be closely scrutinised, for example by SHR technical audits.

14.What, if any, are your views on whether targets should be varied by guidance from the Scottish Government in specific circumstances? ....Free text box.

Targets should be varied by guidance as all circumstances will be different and there may be issues particularly with conservation areas and historical buildings. There may need to be some kind of cost/benefit analysis in terms of whether some buildings will see enough of a benefit to make this worthwhile. Then if not there needs to be decisions around what happens to these buildings.

#### **Consultation Questions: Mixed Tenure Housing**

15.To what extent do you agree that the new SHNZS should apply to mixed tenure properties? Strongly agree – Somewhat agree – Neither agree nor disagree – Somewhat disagree – Strongly disagree – Don't know. Please include any additional comments below ....Free text box.

Strongly agree.

This is something that has caused challenging issues in the past with retrofit projects and landlords blocking works due to unaffordability or not qualifying for funding. Some EES:ABS funding could be applied, however, the cost for owners would be too significant to apply SHNZS to mixed tenure flats unless there was significant funding in place. Funding will remain an issue as at some point the measures will have to extend to mixed tenure in terms of parity and equality and not all homeowners will have the necessary funds to install these measures. This risks pushing people into poverty, homelessness etc. The current legislation around shared repairs is not nearly robust enough and significant legislative change will be required here.

16. Do you agree that for some blocks where the local authority or RSL is not a sole or majority owner, then a phased approach to retrofit work should be undertaken? Strongly agree – Somewhat agree – Neither agree nor disagree – Somewhat disagree – Strongly disagree – Don't know. Please include any additional comments below. ....Free text box.

Somewhat agree.

Where this is possible but there may be cost implications (scaffolding) if the works are done in phases. Some of the most effective measures (e.g. wall insulation) are not possible in some individual homes.

**Consultation Question: Gypsy/Traveller Sites**

17. To what extent do you agree that the new SHNZS should apply to Gypsy/traveller sites? Strongly agree – Somewhat agree – Neither agree nor disagree – Somewhat disagree – Strongly disagree – Don't know. Please include any additional comments below. ....Free text box.

Strongly Agree

If these are being let by the Council or Housing Associations, then there should be an obligation to rent these out with the same standards as general needs housing. If they are tenants, then they deserve to enjoy the same conditions as the settled population. Although amenity blocks may not be lived in the cost of heating them is a concern for residents. Making sure they are properly insulated will lower costs and benefit the environment.

**Consultation Question: Timeline**

18. What are your views on the timetable for introducing the new SHNZS? Please include any additional comments below. ....Free text box

The timetable is achievable but there is a shortage of resources which would need to be addressed along with any material shortages. The works need to be managed and the quality of the installations need to be monitored closely to ensure compliance.