



Social Housing Net-zero Standard consultation

Evidence submitted to the Scottish Government 07 March 2024

This is a response to the Scottish Government's consultation on a new Social Housing Net-zero Standard (SHNZS) to replace the current Energy Efficiency Standard for Social Housing (ESSH2).

Introduction

The social housing sector is committed to providing good quality homes that are energy efficient and affordable to heat. Data recording on ESSH is currently paused while the Scottish Government consults on the new standard but progress has been encouraging with 88 per cent of social rented homes meeting the ESSH 2020 milestone at 31 March 2022 (an EPC rating of C or D) and 56 per cent currently achieving EPC C.

As set out in our response to the parallel consultation on the Heat in Buildings Bill, we welcome the move towards alignment of standards across tenures - we think that everyone should benefit from good quality housing regardless of whether they rent from a social landlord, a private landlord, or own their own home. Alignment of standards will also help to support improvement works in mixed tenure buildings.

While investment in our homes can improve energy efficiency, reduce heat demand and contribute towards reducing fuel poverty, there is some concern that the levels of investment required to decarbonise heat and meet the Scottish Government's ambitious target of net-zero by 2045 could risk significant increases to rent if sufficient grant funding is not made available to support improvement programmes.

It should also be noted that these proposals are not being made in isolation. The Scottish Government is also considering updates to Housing for Varying Needs (HfVN) which will add costs to new build homes, social landlords are facing significant inflationary increases to costs for maintenance, housing services and new developments - all during a cost of living crisis and a housing emergency compounded by the recent £200 million cut to the Affordable Housing Supply Programme (AHSP).

The consultation document estimates that energy efficiency improvements to meet the proposed SHNZS would cost around £1.28 billion and decarbonisation



of heat will cost an additional £4.6 billion. It does not consider longer-term costs (e.g. maintenance) or address the issue of supply chain demand and skills requirements, not only for installation but longer-term maintenance and replacement.

Our members have also raised concerns that some tenants could face higher bills by switching from gas to electric heating while the unit cost of electricity remains significantly higher. If not addressed this could risk increasing fuel poverty and/or prevent adequate heating which can create problems with property condition and cause or exacerbate health issues associated with cold and damp.

As well as supporting investment in energy efficiency and clean heating systems, the Scottish Government needs to explore options to bring down the cost of electricity and consider how heat networks can be developed effectively to provide value for money for households expected to connect.

Consultation questions

1. To what extent do you support the use of a fabric efficiency rating, based on heat demand, in the SHNZS?

Support

We support the proposal to use an energy rating based on heat demand which will drive improvements to the energy efficiency of the fabric of homes, and note that this is in line with recommendations of the Climate Change Committee (CCC) and Zero Emissions Social Housing Taskforce (ZEST). We agree that the target should be based on space heating demand and not take into account energy use for activities unrelated to heat (e.g. cooking, use of electrical devices etc.) which the landlord may have little influence over.

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

Both options have benefits and drawbacks but option one would align better with proposals for minimum energy efficiency standards in the private sector currently being consulted on and allow social landlords to carry out energy efficiency measures appropriate to properties within a set range. The consultation suggests that some social landlords may default to the lower end of the range. However, we believe that social landlords will make sound investment decisions based on long-



term asset management requirements and what is right for their tenants and customers, and their financial management obligations.

Adequate flexibility, exemptions and discretion must be allowed to ensure that social landlords are able to take value for money into account when making investment decisions and to ensure that costs are not passed on to tenants through unaffordable rent increases.

In our response to the Heat in Buildings Bill consultation, we have questioned whether the proposed flat standard of 120 kWh/m²/year could set too low of a standard in the private sector as it does not differentiate between cavity and solid wall homes and risks owners defaulting to the lowest standard. Consideration should be given to this as the Bill is developed.

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

No further comments.

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

It makes sense to continue to use modelled performance under the Standard Assessment Procedure (SAP) but continue to explore options for measuring actual performance. It will be important to better understand actual performance and how well these measures work for the residents.

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

We appreciate that providing a list of measures to be met is an easy way to understand energy efficiency requirements, and this may be particularly useful in the private sector where landlords and owners who are being expected to carry out work may have limited technical knowledge. Again, we support alignment of standards across tenures. However, it seems less necessary to set out a list in the social sector where staff should have the expertise to make decisions on how best to meet minimum standards.



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

In principle, if homes in the social rented sector are not fit for purpose, they should not be let. However, the reality is more complex and consideration must be given to the cost of bringing these homes up to standard, or the alternative which may be demolition where the costs would outweigh the value of the asset or result in unreasonable rent increases. Disposing of properties by selling on the open market will not address the issue, simply passing it on to another owner.

As the sector already faces a significant shortfall in supply set to be exacerbated by the recent reduction of the AHSP budget, consideration must be given to the possibility of a reduction in affordable housing supply and how this impacts other Scottish Government policy ambitions such as poverty reduction, health and wellbeing and housing rights.

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

We support measures being put in place to safeguard the wellbeing of social housing tenants and recognise that as more measures are retrofitted into existing homes, care must be taken to assess risks and address any issues with air quality, damp and mould.

8. To what extent do you support the requirement to install a clean heating system by 2045)?

Somewhat support X

We support improving the energy efficiency of homes across tenures and understand that the installation of renewable heating systems will be key to the Scottish Government meeting its target of net-zero by 2045. However, the costs involved are significant. This consultation document suggests costs of around £1.28 billion for energy efficiency measures and £4.6 billion for renewable heat requirements for the social sector alone which only accounts for around a quarter of housing stock and is already well ahead of the private sector in terms of energy efficiency.

We appreciate that the Scottish Government has made some funding available to support improvements but, in line with the principles set out in the consultation



document, there is a need to ensure that costs are not unfairly passed on to those who can least afford them. The net-zero programme, if not managed carefully, has the potential to increase rents and divert investment away from other areas. We call on the Scottish Government to ensure that statutory requirements are set at an achievable level with enough flexibility, and underpinned with adequate funding to make them financially viable.

It should also be noted that these proposals are not being made in isolation. The Scottish Government is also considering updates to Housing for Varying Needs (HfVN) which will add costs to new build homes, social landlords are facing significant inflationary increases to costs for maintenance, housing services and new developments - all during a cost of living crisis and a housing emergency compounded by the recent cut to the AHSP budget.

Urgent consideration must be given to the cost per unit of electricity versus gas and how this can be addressed to ensure that electric heating provides a cost-effective alternative to gas.

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

We think that social landlords should have as much flexibility as possible to meet standards set by the Scottish Government in a way that makes financial sense and supports their tenants and customers. SHNZS should encourage and support social landlords to make progress as quickly as is feasibly possible and at least in line with requirements in the private sector.

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

Neighbouring landlords should be supported to work together as far as possible, especially where this could bring benefits e.g. procurement or supporting viability of a heat network. However, this approach requires close coordination and alignment of budgets and asset management plans. This could be facilitated or supported by local authorities through Local Heat and Energy Efficiency Strategies (LHEES).

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



As with proposed requirements for the private sector, the Scottish Government could consider trigger points (such as the replacement of an existing polluting heating system) to drive early compliance and spread the demand for new heating systems up to the 2045 backstop date.

12. To what extent do you support the requirement for mandatory connections to heat networks under certain circumstances?

Somewhat support X

We appreciate that social landlords can support the viability of heat networks and have a role to play here, but as we set out in our response to the Heat in Buildings Bill, we do support mandatory connection to heat networks on the condition that the networks are being developed effectively, provide value for money and have adequate consumer protections in place. Social landlords have a duty to act in the best interests of their tenants, provide value for money and manage finances effectively.

We welcome the fact that this consultation document has specified that the costs of connection should be “reasonable” and that further clarification on this is needed. We think that consideration of “reasonable” costs should take into account the upfront costs of installation and connection as well as the potential impact on affordability for tenants. As mentioned above, the Scottish Government must consider options for bringing down the cost per unit of electricity which, at the moment, is unfavourable compared to gas.

The cost of energy is a significant consideration for social tenants with many struggling to heat their homes, or having to make the decision not to which can have a negative impact on property condition and cause or exacerbate health conditions linked to cold and damp.

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 X

We strongly support the need for an element of discretion in the timing of work, especially where social landlords are expected to implement improvements above and beyond those proposed in the private sector. Social landlords have a moral and statutory duty to provide value for money for their tenants, to protect their



security of tenure and to consider the needs of future tenants, all of these considerations require sound financial management and forward planning.

Alignment of standards across tenures will help to support improvement work in mixed tenure blocks, but given the staggered timescales proposed for compliance (minimum energy efficiency standards for PRS in 2028 and owner occupiers in 2033) there will be some circumstances where work is delayed.

We also support the other examples mentioned - where homes are within a designated heat network zone, where work cannot be carried out legally, where a landlord is planning to dispose of a property or in cases of long-term voids (although these should be minimal).

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

The consultation document does not make clear the circumstances under which targets could be varied or what the purpose of this would be. The ability to vary targets could be useful if it becomes clear through monitoring progress that a particular issue needed to be addressed. However, in most circumstances we would recommend setting clear targets for all landlords to work towards, and to avoid moving targets which could impact long-term investment and stock maintenance plans.

15. To what extent do you agree that the new SHNZS should apply to mixed tenure properties?

Somewhat agree

We agree that SHNZS should apply to mixed tenure properties but with exemptions in place and use of discretion as outlined above as social landlords may be prevented from or delayed in carrying out work by other owners in the building. In our response to the Heat in Buildings Bill we point to the need for the Scottish Government to underpin regulations with comprehensive support for private landlords and owners including advice and information, financial support and post-installation support. The Existing Homes Alliance has published research on what an [ideal customer journey](#) should look like.



If the approach to decarbonisation is not well-coordinated, there is a risk of widening the gap between standards across tenures, and delays to improvements for some social housing tenants living in mixed tenure developments.

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

A phased approach will be needed at least in the short to medium term but the Scottish Government needs to prioritise solutions and support for mixed tenure buildings to avoid widening disparity between standards over the longer-term. As the consultation document points out, the Scottish Government is still considering legal issues and recommendations in relation to mixed ownership buildings which may take some time to resolve. In the meantime, owners can and should be encouraged and supported to make improvements to the energy efficiency of their individual residences where this wouldn't be in conflict with communal work required later.

17. To what extent do you agree that the new SHNZS should apply to Gypsy/traveller sites?

Don't know

We agree with measures to improve the condition of accommodation and facilities used by Gypsy/Travellers who should be able to expect good quality, well maintained and affordable to heat buildings. In principle, this should mean a shared set of standards.

However, it is unclear whether applying SHNZS to existing buildings on Gypsy/Traveller sites would be appropriate or beneficial. The Scottish Government and local authorities who provide Gypsy/Traveller sites should work with residents to better understand how the buildings are used and how they can be improved. As set out in the consultation paper, some of this work is already underway through the Scottish Government and COSLA's joint action plan and Gypsy/Traveller Accommodation Fund.

18. What are your views on the timetable for introducing the new SHNZS?

The standards should be confirmed as soon as possible to provide certainty for social landlords and allow them to plan necessary works. We agree that it may



take some time to finalise the Charter indicators needed to report performance against the targets. However, the language in the consultation document suggests that SHNZS should be “introduced” from 2025 which could be confusing. We suggest introducing the new standard as soon as possible and for reporting to commence from a later date - 2025 only if it is feasible to have new measures and reporting arrangements in place within a year. This will depend to some extent on the indicators agreed and whether they will require any significant upgrades to landlords’ monitoring and reporting systems.

About CIH

The Chartered Institute of Housing (CIH) is the independent voice for housing and the home of professional standards. Our goal is simple - to provide housing professionals and their organisations with the advice, support, and knowledge they need to be brilliant. CIH is a registered charity and not-for-profit organisation. This means that the money we make is put back into the organisation and funds the activities we carry out to support the housing sector. We have a diverse membership of people who work in both the public and private sectors, in 20 countries on five continents across the world. Further information is available at: www.cih.org.

Contact:

Ashley Campbell CIHCM
Policy and practice manager
CIH Scotland
ashley.campbell@cih.org

07 March 2024