

Agenda Item	5.
Report No	CCC/2/24

The Highland Council

Committee: Climate Change

Date: 20 March 2024

Report Title: The Council Response to Social Housing Net Zero Standard: Consultation

Report By: Interim Depute Chief Executive

1. Purpose/Executive Summary

1.1 This report provides the Council's response to the Social Housing Net Zero Standard: Consultation which closed on 8 March 2024. The basis of the consultation is to replace fossil fuel heating with clean heating and improve energy efficiency.

2. Recommendations

2.1 Members are asked to:

- i. **Homologate** the response to the Social Housing Net Zero Standard: Consultation attached at Appendix 1.

3. Implications

- 3.1 **Resource** - The scale of change being proposed in the Consultation means it is likely that there will be significant financial implications in the future as the Council seeks to comply with the proposed new Standard as far as technically possible.
- 3.2 **Legal** - There are no legal implications arising from this report. Progress against the proposed new Standard will be monitored by the Scottish Housing Regulator as part of the landlord requirements included in the Scottish Social Housing Charter.
- 3.3 **Community (Equality, Poverty, Rural and Island)** - There are no direct implications arising from this report. However, the consultation response does highlight the particular challenges that exist in Highland and the potential impact on rural and island communities.
- 3.4 **Climate Change / Carbon Clever** - The response and recommendations help shape the commitment to a Just Transition and future policy development.

3.5 **Risk** - There is no Risk directly relating to this report however, risks relating to the Scottish Government's proposals are highlighted in the consultation response.

3.6 **Health and Safety (risks arising from changes to plant, equipment, process, or people)** - There are no Health and Safety implications arising from this report.

3.7 **Gaelic** - There are no Gaelic implications arising from this report.

4. Overview

4.1 [The Heat in Buildings Bill: Consultation](#) proposals are included in a separate report to this Committee.

4.2 Many of the themes of that consultation are reflected in The Scottish Government's Consultation on a new [Social Housing Net Zero Standard \(SHNZS\)](#) . This will replace the post-2020 Energy Efficiency Standard for Social Housing (EESH2). It is proposed that the Standard will require social landlords to improve fabric efficiency by 2033, and install clean heating, across their stock, by 2045 where it is technically feasible and cost-effective to do so.

5. Timescales and Next Steps

5.1 The Consultation opened on 28 November 2023 and closed on 8 March 2024.

5.2 Following the Consultation process, a period of engagement with tenants and social landlords will be initiated by the Scottish Housing Regulator.

5.3 The Scottish Government is intending to introduce the new Standard by 2025 at the earliest.

6. Council Response

6.1 The Council response can be found in **Appendix 1**.

7. Implications to the Council

7.1 The proposed changes in the Consultation will have far-reaching implications within the Council to our journey of achieving Net Zero as far as technically feasible for the 15,000 Council houses. In particular, there are currently around 8,000 Council houses heated by gas which will require to be replaced over time.

7.2 The potential impact of the proposals:

- Provides targeted and strategic national direction for social landlords to make progress towards achieving net zero for their housing stock;
- Recognises that social landlords are best placed to identify what energy efficient measures are cost effective, deliverable and in the best interest of tenants;
- Concern that without significant levels of external funding, the identified works will not be affordable to tenants;
- Concern that without the appropriate level of support, advice and communication, a just transition to net zero will not be achieved for tenants.

Designation: Interim Depute Chief Executive

Date: 7 March 2024

Authors: Brian Cameron, Interim Head of Housing & Building
Maintenance

Background Papers:

[Social housing net zero standard: consultation](#)

Appendices: Appendix 1 – Highland Council Response to Social Housing
Net Zero Standard Consultation 7 March 2024

Consultation on the Social Housing Net Zero Standard

Question 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.

Highland supports the general principles of a fabric efficiency rating and the move away from reliance on energy performance certificates. This would reduce the confidence issues that have arisen over the years in regard to the SAP energy ratings calculated on these certificates.

Question 2

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

Highland believes that social housing should not be considered in isolation from other tenure types. There should be consistency of standards and regulatory governance across tenures.

Option 1 will require more defined detail but there is a need to identify long-term workstreams to provide certainty of approach for contractors, suppliers and tenants.

Question 3

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

The fabric energy efficiency level should be established at a target which provides some flexibility between modelled energy uplift and the actual energy uplift following installation which may depend on a number of construction factors.

Question 4

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

SAP ratings are perhaps the easiest for tenants and landlords to understand when considering the performance and setting of targets. However, these ratings have to be considered in light of the required review into the methodologies behind energy performance certificate production.

Question 5

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

The principle behind the proposal is logical, in that it is similar to existing principles held by social landlords to improve the energy efficiency of its stock - with a fabric first approach being the preferred means of doing so.

Any measures must however be aligned to the technical means of improving the fabric of the stock – landlords like Highland which has ageing stock in remote locations should not be “penalised” for not having technical solutions to carry out fabric works which may be feasible for other landlords.

Question 6

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

In the middle of a national housing emergency, it does not feel appropriate to potentially exclude stock from allocation to households in severe housing need. The principle behind this should only apply if there is detailed consideration of housing supply issues and in particular clear support for stakeholders involved in retrofitting existing stock and developing new affordable housing.

Question 7

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

This appears to be somewhat an unrealistic strategy which will only be feasible if there is the appropriate level of resource to enable landlords to monitor and manage the mechanical ventilation of housing stock. New technology can assist with this, but this will come at a cost which is currently borne by tenants rents.

Question 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.

Highland supports the principle as part of the Council commitment of moving towards a Net Zero Highland.

Highland also supports the proposal that social landlords are at the forefront of bringing lasting environmental changes to tenants and supporting tenants in this process.

However, it is clear that this is not deliverable at present without long-term strategic clarification of

1. External funding
2. Construction industry capacity
3. Technical solutions to the post-gas heating systems in urban areas
4. Fuel poverty considerations, including whether a social tariff can be implemented and reforming energy pricing to make electric heating more affordable.

Without this clarification, a Just Transition is at risk.

Question 9

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

While this question cannot be adequately answered without clarification on the points addressed above, Option 1 provides milestones which give social landlords targets to aim for.

The milestones however are only realistic in context of:

- Guaranteed external funding to ensure that tenants do not shoulder the weight of rent increases to fund works
- A developed capacity within the construction industry to deliver quality works at pace
- Assurance around the tariffs to be applied for all heating types so there is a Just Transition.

Question 10

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

Further discussion is required on a regional basis given the huge geographical challenges that landlords like Highland face. Highland already works with partner housing associations as part of our local housing and local heat and energy efficiency strategies – such collaborative working is essential in future to maximise external funding and deliver works across tenures.

Question 11

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

This requires extensive analysis to determine if a rural/off-gas target is feasible. This will need to consider the protection of rural households already struggling with extreme fuel poverty. As stated above, a holistic approach to Net Zero is required so that it is intrinsically linked to other housing and national policies.

Question 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.

Heat networks are a feature of our LHEES and there is ongoing feasibility work in Highland to develop these. Legal advice is required in regard to this issue and also as to what regulatory protection can be developed for landlords and tenants.

Question 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.

Social landlords must retain their right to work with tenants to provide affordable heating and energy efficiency measures that reflect the needs of tenants as well as asset/financial/property considerations. Without the cooperation and consideration of social landlords – appropriately monitored by the Scottish Housing Regulator – tenants are at risk of actions which may directly impact on their homes and finances.

Question 14

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

Social landlords remain best placed to identify and deliver tenant priorities and Government intervention should largely be restricted to helping landlords source funding and align energy efficiency with other policies (for example, housing supply, homelessness prevention, affordable rents and refugee resettlement).

Question 15

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

- Strongly support
- Somewhat support
- Neither support nor oppose
- Somewhat oppose
- Strongly oppose
- Don't Know

Please include any additional comments below.

Both questions 15 and 16 lack detailed information as to how the Standard would work in practice. There are likely to be significant practical and legal challenges to carrying out mixed tenure works, and the funding guarantee would need to sit with the Scottish Government rather than local authorities taking the financial risk of delivering works in mixed tenure properties.

Question 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 support
- Somewhat support
- Neither support nor oppose
- Somewhat oppose
- Strongly oppose

Don't Know

Please include any additional comments below.

Delivery of these works will be dependent on legal issues as detailed at question 15. Any additional support – financial or legal – to engage with owners is to be welcomed.

Question 17

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

- Strongly support
- x Somewhat support
- Neither support nor oppose
- Somewhat oppose
- Strongly oppose
- Don't Know

Please include any additional comments below.

The Standard can only apply where the work is technically feasible and where there is the support of the community. The accommodation would need to be fixed for it to be relevant to the Standard.

Question 18

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

2025 seems an unrealistic target given that there has been significant time spent discussing the review of EESSH2 only to result in a further consultative process.

While Highland is broadly supportive of the principles and the move towards meeting net zero commitments, there is concern that the Standard is viewed in isolation of other social housing policies and with due consideration of tenant priorities and the affordability of tenant rents.