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**To: Communities and Housing Policy Board**

**On: 21 May 2024**

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**Report by: Director of Environment, Housing, and Infrastructure**

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**Heading: Consultation on the proposed Social Housing Net Zero Standard**

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## **1. Summary**

- 1.1 The Social Housing Net Zero Standard (SHNZS) is being introduced by the Scottish Government to replace the second Energy Efficiency Standard for Social Housing (EESH2).
- 1.2 The SHNZS is designed to reduce the space heating demand of existing social housing in Scotland by 2033, and to replace fossil fuel heating systems with a clean heating alternative, by a backstop of 2045.
- 1.3 The reduced space heating demand is proposed at a level of between 120-71kWh/m<sup>2</sup>/year, with 70kWh/m<sup>2</sup>/year or under proposed if fuel poverty is a particular concern. 120 -71 kWh/m<sup>2</sup>/year is regarded as the equivalent of an existing Energy Performance Certificate (EPC) Band C and 70kWh/m<sup>2</sup>/year or under the equivalent of an existing EPC Band B.
- 1.4 Space heating demand reduction is required to assist with successfully implementing clean heating systems such as heat pumps, modern storage, and heat networks. Clean heating fuel (electricity) is currently more expensive than fossil fuels and there would be a potential to exacerbate fuel poverty if some space heating demand reduction was not required.
- 1.5 The Scottish Government is aiming to finalise the SHNZS later in 2024, with it being introduced in 2025. The Housing Regulator will incorporate the space heating demand and targets for clean heating installs, as part of the Annual Return on the Charter (ARC), and they will engage with social landlords on the Charter indicators needed for reporting performance against the standard. It is yet to be determined when it will form part of the ARC.

- 1.6 Renfrewshire Council is broadly in favour with the proposals as set out in the consultation.
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## **2. Recommendations**

It is recommended that the Communities and Housing Policy Board:

- 2.1 Homologates the consultation response submitted by Renfrewshire Council to the Scottish Government on the 8<sup>th</sup> March 2024, on the Social Housing Net Zero Standard, as detailed within Appendix 1 of this report.
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## **3. Background**

- 3.1 The Scottish Government introduced the first energy efficiency requirements for social housing in the Scottish Housing Quality Standard (SHQS) of 2015. Standards of energy efficiency were increased with the Energy Efficiency Standard for Social Housing (ESSH) of 2020 and then ESSH2 was implemented with interim 2025 targets and a 2032 completion date.
- 3.2 SHQS, ESSH and ESSH2 were all targets based on the energy efficiency bandings of a domestic Energy Performance Certificate (EPC). EPC's energy efficiency bandings are mainly based on a rating system which is a combination of, The efficiency quality of the construction fabric, heating system type and the cost of fuel for that heating system.
- 3.3 An EPC rating could be improved by replacing a heating system with one that used cheaper fuel, and during the SHQS implementation period especially, this resulted in an increased use of natural gas boilers.
- 3.4 As burning fossil fuels such as gas, was one of the main drivers for climate change, it became apparent that for net zero, homes had to be heated with clean heating alternatives. Clean heating systems such as modern storage, heat pumps and Heat Networks, use electricity as their fuel. But as electricity is currently around four times the cost of gas, its use would then lead to EPC ratings falling and potentially exacerbate fuel poverty.
- 3.5 The Scottish Government suspended ESSH2 in 2022 and pledged to look at a new standard which would address energy efficiency, the need to remove fossil fuel heating from social housing and take cognisance of fuel poverty. The Social Housing Net Zero Standard has been proposed to address those issues.
- 3.6 The Scottish Government also recognised that EPCs would need reformed to ensure they reflected net zero carbon requirements. They proposed to remove the energy efficiency rating and replace with three separate metrics rating:
- Space heating demand of the building (kWh/m<sup>2</sup>/year and banded A-G)
  - The type of heating system (clean heating systems rated highest)
  - An energy cost rating (based on £/m<sup>2</sup>/year, banded A-G)

3.7 The Social Housing Net Zero Standard (SHNZS) is the new standard proposed by the Scottish Government to replace EESSH2. It aligns with the new metrics proposed in reformed EPCs. The consultation closed in March 2024, and it is expected to be finalised by the Scottish Government later this year. The standard should be in place for social landlords sometime in 2025, with timing of reporting on compliance with the standard still to be determined.

## 4. The Social Housing Net Zero Standard

4.1 The SHNZS has two main objectives:

- To reduce the space heating demand of homes
- To replace fossil fuel heating with clean heating technology

4.2 The space heating demand is a measure of the amount of heat energy required to heat a building to a desired temperature and maintain that temperature inside. This is measured in kWh/m<sup>2</sup>/year. The lower the figure, the better. Heating demand is mainly affected by:

- The type of wall, floor, and roof construction
- The windows and doors
- Insulation levels
- Air tightness (the amount of warm air escaping from a house)

4.3 The reduced space heating demand is proposed at a level of between 120-71kWh/m<sup>2</sup>/year, with 70kWh/m<sup>2</sup>/year or under proposed if fuel poverty is a particular concern. 120 -71 kWh/m<sup>2</sup>/year is regarded as the equivalent of an existing EPC Band C and 70kWh/m<sup>2</sup>/year or under the equivalent of an existing EPC Band B. The proposal is for all social housing stock to achieve this by 2033. For context, EESSH2 was set as an EPC Band B by 2032.

4.4 Where certain hard to treat housing stock may struggle to meet the limit of 120 kWh/m<sup>2</sup>/year, it is proposed that they meet a minimum energy efficiency standard, composed of standard efficiency elements being carried out such as:

- 270mm loft insulation
- Cavity wall insulation
- Draught proofing
- Heating controls
- 80mm hot water cylinder insulation
- Suspended floor insulation

For Renfrewshire Council housing stock, early indications are that traditional sandstone tenements and some non-traditional construction homes are the property types where it will be difficult to cost effectively meet the proposed SHNZS, however, it is likely to be possible to meet the proposed minimum energy efficiency standard. It is anticipated that only very low numbers of our homes may fail to meet the minimum standard.

It is proposed that social rented homes cannot be relet after 2028, if this minimum standard is not reached.

- 4.5 Fossil fuel main heating systems are to be replaced by clean heating systems in order to meet net zero carbon. The backstop date for all heating to be clean in social housing is 2045. The consultation proposed some milestones between 2030 and 2045, where a certain percentage of the landlord's stock is expected to have clean heating.

## 5. Consultation Response

- 5.1 The consultation response is set out in full at Appendix 1 of this report. Renfrewshire Council's response was submitted on 8<sup>th</sup> March 2024, the timing of which meant officers were not able to bring the proposed consultation response to Policy Board for approval prior to submitting the response.
- 5.2 The response from Renfrewshire Council is generally supportive of the proposals, but we did not agree with being unable to let stock that may not fully meet the minimum standard, citing that other variables need to be considered (such as demand, desirability of area and homelessness levels). We also expressed concerns that the upper range of the SHNZS may not be stringent enough to help tackle fuel poverty and the concept of a just transition.
- 5.3 Once the SHNZS is confirmed, our housing asset management strategy will reflect the new standard and analysis will be carried out to determine the impact of the SHNZS on future investment programmes. Any funding implications will need to be considered within the HRA Business Plan and will be included in future reports to Policy Board.

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## Implications of the Report

1. **Financial** – The implementation of the Social Housing Net Zero Standard (SHNZS) is expected to lead to increased capital investment in the future. As a key driver for changes to the HRA Business Plan, the SHNZS will prompt adjustments in our asset management strategy. An analysis will be conducted to assess the impact of the SHNZS on future investment programmes. Any funding implications arising from this standard will be carefully considered within the HRA Business Plan and will be included in future reports to the Policy Board.
2. **HR & Organisational Development** - None
3. **Community/Council Planning** –
  - **Our Renfrewshire is thriving** – improving housing conditions encouraging people to live in Renfrewshire.
  - **Our Renfrewshire is well** – improving housing conditions benefitting tenants. Helping to address fuel poverty.

- **Reshaping our place, our economy, and our future** – investment in the refurbishment of social rented will create jobs and contribute to the economy.
4. **Legal** - None
  5. **Property/Assets** – Ensuring assets are sustainable and fit for purpose.
  6. **Information Technology** - None
  7. **Equality & Human Rights**
    - (a) The Recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.
  8. **Health & Safety** - None
  9. **Procurement** – None
  10. **Risk** - None
  11. **Privacy Impact** - None
  12. **COSLA Policy Position** – None
  13. **Climate Risk** – The Social Housing Net Zero Standard aims to make social homes heating net zero carbon and improve energy efficiency in our social rented homes.
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## List of Background Papers

Appendix 1 – Consultation response to the Social Housing Net Zero Standard

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**Consultation on the Social Housing Net Zero Standard**



**Respondent Information Form**

**Please Note** this form **must** be completed and returned with your response.

To find out how we handle your personal data, please see our privacy policy:  
<https://www.gov.scot/privacy/>

Are you responding as an individual or an organisation?

- Individual
- Organisation

Full name or organisation's name

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The Scottish Government would like your permission to publish your consultation response. Please indicate your publishing preference:

- Publish response with name
- Publish response only (without name)
- Do not publish response

**Information for organisations:**

The option 'Publish response only (without name)' is available for individual respondents only. If this option is selected, the organisation name will still be published.

If you choose the option 'Do not publish response', your organisation name may still be listed as having responded to the consultation in, for example, the analysis report.

We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this consultation exercise?

- Yes
- No

## Questionnaire

### 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.

We agree it's important to remove fuel costs from the energy efficiency metric and to concentrate on the fabric of the building as the measure. Social landlords have control over the fabric.

We also agree with excluding other elements of energy, used within the primary energy indicator metric. Social landlords do not have control of tenants' preferences for white goods or other energy usage and therefore must concentrate on the space heating demand, where we do have control subject to mixed tenure constraints.

### Question 2

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

We prefer option 1 based purely on space heating demand of 120-71 by 2033.

Adding domestic hot water is an added complication that has less gains than space heating reduction. Although we recognise as space heating demand is reduced, DHW does increase relatively in importance, we think space heating reduction is more crucial and should be the primary focus.

We don't believe a two staged approach is suitable for our stock profile, where we have a high percentage of flats with mixed tenure. We would rather minimise consultations in mixed tenure and attempt to achieve a good standard in a single hit. For stock we own outright, we may decide to improve beyond 2033 with a space heating demand below 70 but don't believe this should be mandated within the sector.

We understand 2033 being the target to align with fuel poverty targets but as a result we feel the SHNZS must be in place as early as possible in 2025, to give as much time as possible for landlords to plan, procure and programme works.

### Question 3

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

We feel the upper range of 120 for space heating demand will likely result in a lot of current stock not getting any further improvement, limiting progress towards eradicating fuel poverty, and making the switch to heat pumps more problematic. We suggest the upper range should only apply to recognised hard to treat property types, with the majority of stock expected to be under 100 for space heating demand.

### Question 4

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

We are currently designing retrofits using the PHPP model, as we believe it offers a more accurate model of reality than RdSAP. We believe if landlords use a model such as PHPP, the space heat demand from that model should be used as evidence to pass the SHNZS. But we understand that RdSAP will have to be the baseline.

We welcome the proposed improvements to SAP, in the hope it models reality better in the future. However, we believe if only using RdSAP, additional principles of PAS2035 should be used to help measure performance via pre and post air tightness test. Also, the use of sensors to measure condition pre and post retrofit. This is probably only feasible on an archetype basis though. The condensation and thermal bridging analysis of SAP should also be considered.

We will also check some fuel bills pre and post retrofit works. We think these are all methods that can be used to measure performance, in addition to the use of RdSAP/EPC's



**Question 5**

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

We agree there should be a minimum agreed standard but think this should be set as a 2033 backstop, to tie in with programmes targeting stock as a whole house retrofit in one hit.

The minimum standard should be any measure which can be done with a tenant in-situ, within the limits of cost effectiveness and technical feasibility We agree with the listed measures but would remove suspended floor insulation, as this really needs to be done at void stage (or tenants decanted, and their furniture and floor coverings put in storage). It is our view that decanting tenants is not feasible in the current environment of immense housing pressures.

We think some form of window/door improvement can be made with tenants in-situ and would add them to the list. (Double glazing, triple glazing, secondary glazing, energy efficient doors)

**Question 6**

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

We don't think there should be a simple set rule of removing stock from the letting pool if it can't meet the minimum standard. There are too many variables which need to be considered when assessing whether a property should be relet based on a minimum fabric efficiency standard.

Perhaps landlords could consider a rental policy which takes cognisance of the poorer energy efficiency performance with a reduced rental charge, but it should not be mandated.

**Question 7**

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

We agree a ventilation strategy should be in place for future retrofits. Although MVHR is desirable, it does add another capital and cyclical cost to retrofit and to work most efficiently, requires a high standard of air tightness for the home.

DMEV is a cheaper form of ventilation and has a less onerous maintenance burden which combined with environmental sensors, can be used to monitor adequate ventilation performance.

**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.

We understand the need for clean heating systems to meet net zero targets and agree with the backstop date of 2045, as it provides the longest possible time. We believe this time will be needed for the electrical grid to be brought up to standard and allow for large infrastructure projects such as district heating, to happen.

In the meantime, space heating demand reduction will help with carbon emission reduction from fossil fuel heating still being used.

**Question 9**

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

We support Option 1 as the best method for our stock to decarbonise by 2045.

**Question 10**

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

We see it as very challenging for neighbouring landlords to work on a regional basis to achieve such a target, however we are keen to see collaboration and sharing of knowledge and best practice between landlords. A key difficulty arises from differing procurement approaches and the timing of coordinating budgets, aligning funding applications and the complexity of different financial positions, including the lending restrictions of RSL's. They all contribute to make a regional approach challenging.

**Question 11**

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

We largely agree with the proposed interim targets but feel a 2035 date should be added of 30% coverage, to encourage change at an earlier point.  
We do understand the difficulties of ensuring the grid is capable and possibly the requirement for Heat Networks to be in place.

**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.

For an urban authority with a high proportion of flats and gas central heating, the option of large-scale Heat Networks is appealing, and we believe it would be a big help if mandatory connections were in place. This would give reassurance to potential investors.

**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.

As we do not believe the upper limit to the range is too strenuous to achieve for most of the social housing stock, the number of cases where discretion would be required will be relatively small. The overriding requirement to achieve net zero carbon and to eliminate fuel poverty, should ensure that ultimately meeting the standard is in the best interest of tenants.

**Question 14**

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

In principle we believe the Scottish Government should have the ability to vary targets, but these should be subject to consultation and any changes which are then introduced must allow enough time for landlords to comply with the change.

With a backstop of 2045, it is acknowledged that there is scope for technical innovation to occur, which may result in a need for the standard to be reviewed.

**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.

For fairness we believe tenants should be receiving the same quality of housing, irrespective of where they live. For tenants in mixed tenure there is a strong chance that they will not receive the same standards but if the SHNZF is applied to mixed tenure properties and we can inform owners and private landlords that they must also comply, it may lead to better outcomes.

**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.

We don't believe it's cost effective or efficient to carry out phased works in mixed tenure blocks as it can limit what energy efficiency works can be carried out in a way that doesn't stop future whole block approaches. We believe a strong approach to ensuring the SHNZF is applied across multi tenure is required, but with finance options or funding available to support owners to participate in works.

**Question 17**

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

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

Please include any additional comments below.

Renfrewshire do not have any such sites, so not appropriate to comment.

**Question 18**

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

We would welcome certainty around the new SHNZS and in terms of timing, would prefer implementation as quickly as possible to allow the maximum time to plan, procure and carry out works.