

Report

Report to: **Climate Change and Sustainability Committee**
Date of Meeting: **15 May 2024**
Report by: **Executive Director (Housing and Technical Resources)**

Subject: **Scottish Government Consultations on the Social Housing Net Zero Standard in Scotland and Heat in Buildings Bill**

1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ provide an overview of two recent Scottish Government consultations on proposed new net zero standard for social housing and the new Heat in Buildings Bill, and
- ◆ provide a summary of the Council's response to the consultations, submitted to the Scottish Government on 8 March 2024.

2. Recommendations

2.1. The Committee is asked to approve the following recommendations:-

- (1) that the overview of the consultations on the proposed new net zero standard for social housing and Heat in Buildings Bill be noted; and
- (2) that the summary of the Council's response to each consultation be noted.

3. Background

3.1. In 2021, the Scottish Government published a Heat in Buildings Strategy, which committed to:

- ◆ reviewing the existing standards for improving energy efficiency within social housing across Scotland. The review aimed to better align the existing standards with Scotland's latest net zero targets, as set out in the Climate Change (Scotland) Act 2009, as amended in 2020
- ◆ introducing new legislation to phase out the need to install new or replacement fossil fuel boilers across all domestic and non-domestic buildings in Scotland, whilst also requiring building owners to improve the energy efficiency of buildings to help achieve net-zero targets, as set out in the Climate Change (Scotland) Act 2009, as amended in 2020

3.2. Consultations on each of these commitments were launched by the Scottish Government in early 2024, with the public and stakeholders asked to consider how they could be delivered within current delivery models and budgets, whilst highlighting any possible implications from the proposals.

4. Overview of the ‘Consultation on the Social Housing Net Zero Standard’ and response from South Lanarkshire Council

- 4.1. The consultation sought views on a proposed new energy efficiency and net zero standard to be implemented across all social housing in Scotland. In South Lanarkshire, this comprises of over 32,000 homes, the majority of which are owned by the Council.
- 4.2. The consultation documents provide limited detail on what the proposed new Social Housing Net Zero Standard (SHNZS) will comprise of, but highlights that it should 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 proposals for other domestic buildings.
 - ◆ support a just transition
 - ◆ 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
- 4.3. The consultation did detail that there would be two aspects to the standard:
 - A requirement to achieve a yet to be defined fabric energy efficiency rating for each home to reduce heat demand and living costs for tenants.
 - A requirement to install a clean heating system within each socially rented home to contribute to reducing emissions across Scotland.
- 4.4. The consultation advises that the SHNZS will be introduced no earlier than 2025, however this will be confirmed following review of responses by a dedicated Review Group.
- 4.5. In responding to the earlier consultations on carbon reduction, the council, along with many other social landlords and representative bodies, has emphasised that for the transition to be truly just, it is essential at a national level that sufficient funding is provided to avoid an unacceptable burden being placed upon tenants. The Scottish Government has established a Green Heat Finance Taskforce to explore ways of encouraging private finance with a report on the outcomes of this anticipated later in 2024/25.
- 4.6. The consultation states that the cost of meeting previous standards (Energy Efficiency Standard for Social Housing 2) by 2032 was estimated at £3.4 - £3.7 billion in 2018. Costs have since increased, and a new net zero standard would require additional capital cost elements such as installing new clean heating systems and the consultation paper suggests that total capital costs of approximately £4.6 billion will now be required for clean heating alone across the sector. Additionally, the Scottish Housing Regulator stated in February 2024 that the anticipated total costs of implementing the full standard could be in excess of £9 billion across Scotland.

4.7. The Council submitted a response to the consultation on 8 March 2024, with a summary of this provided below:

- ◆ The Council is supportive of a fabric efficiency rating based on heat demand but highlights the significant costs associated with this and the additional support that would be required to avoid tenants having to cover all of this
- ◆ The council strongly disagrees with the proposal to prevent the relet of properties if they do not meet the proposed new standard by 2028. The standard itself and timescales for implementation have not yet been agreed, making it difficult for the Council to assess the implications of this on its own stock. A phased approach and discretion for the council would be preferable
- ◆ The Council supports the requirements of installing clean heating systems by 2045 and recognises the contribution this could have on achieving wider climate change targets. However, there are significant costs and practical challenges associated with retrofitting the systems currently available and the response highlights the need for additional support and guidance from the Scottish Government on this
- ◆ The Council highlights the importance of providing discretion to social housing providers, allowing them to make the best decisions for their tenants and housing stock whilst adhering to the regulatory framework led through the Scottish Housing Regulator
- ◆ The Council is supportive of a 2025 implementation date and notes that it would provide clarity on the standards now required, benefiting investment programmes for existing stock and new build specifications.

4.8. The full Council response to the consultation is available on request.

5. Overview of the 'consultation on the new Heat in Buildings Bill' and response from South Lanarkshire Council

5.1. The consultation sought views on new legislation that will be implemented to require owners of domestic and non-domestic buildings to meet yet to be determined energy efficiency standards and move to clean heating systems to heat their properties.

5.2. The proposals included within the Bill are:-

- ◆ Prohibit the use of polluting heating systems after 2045
- ◆ Requirement on homeowners to meet a reasonable minimum energy efficiency standard by 2033
- ◆ Requirement on private landlords to meet a reasonable minimum energy efficiency standard by 2028
- ◆ Requirement on property owners to end their use of polluting heat when a heat network becomes available
- ◆ Requirement on those purchasing a home or business premise to end their use of polluting heating systems within a fixed period following completion of the sale

5.3. Given the costs associated with clean heating systems, it is anticipated this will have a significant financial impact for existing homeowners. The availability of government finance through grants and loans is being reviewed by the Scottish Government, as are financial products and funding options that may be available through lenders, business, or energy companies, to assist the transition.

- 5.4. The Scottish Government state that the proposals aim to be affordable, fair, and feasible. Provisions are included within the consultation to consider the flexibility, protections, and exemptions that specific groups may need, e.g. rural communities, or households in fuel poverty, or vulnerable groups (e.g. older people) etc.
- 5.5. The Council submitted a response to the consultation on 8 March 2024, with a summary of this provided below:
- ◆ The Council is fully supportive of the necessity to transition to clean heating systems to achieve climate change commitments and targets
 - ◆ The Council believes that all obligated property owners must be bound by the requirements to move to clean heating systems and to achieve a minimum energy efficiency standard in their properties, and by the agreed deadline dates
 - ◆ The Council recognises the significant financial challenges property owners may face, and particularly in the present financial climate, and is reassured that the Scottish Government is exploring a full range of funding options. For local authorities, the transition requires to be fully funded and resourced. This also includes any additional responsibility on councils to monitor or enforce the transition
 - ◆ The Council is reassured that the Scottish Government has fully considered the scale of the challenges some vulnerable groups and communities may face to transition and that it is exploring appropriate exemptions. However, the council believes that exemptions should be on a case-by-case basis, and focused on extending timescales or providing additional support to facilitate the transition where it is technically feasible for a property to transition to a clean heating system
 - ◆ The Council is concerned that the application of a cost-cap that stipulates a maximum amount a property owner will be expected to pay to transition may result in too many properties not meeting the standard, which will impact on the progress made to transition to clean heating systems and targets
- 5.6. The full Council response to the consultation is available on request.

6. Next Steps

- 6.1. Housing and Technical Resources will continue to monitor national developments in this area and report any significant implications for the council to the relevant committee for noting.

7. Employee Implications

- 7.1. There may be employee implications from the proposals detailed in both consultation documents, with relevant officers requiring additional training or services requiring an increase in personnel to meet additional tasks. The Council is clear in its response to both consultations that any additional burdens placed on Council services as a result of the proposals will require to be fully funded by the Scottish Government.

8. Financial Implications

- 8.1. Actual costs to implement the proposals within the consultation documents are unknown at this stage and will be dependent on the finalised standards and implementation dates. It is expected however that costs to achieve the new SHNZS

will significantly outweigh the capital funding currently available through the Council's Housing Investment Programme.

- 8.2. In addition, the council's non-domestic properties will be required to comply with the standards proposed within the Heat in Buildings Bill, with costs of transitioning to clean heating systems requiring to be fully funded and resourced. It is estimated that the transitioning of non-domestic Council properties alone could be up to £900 million, significantly outweighing capital funding currently available to improve or maintain non-domestic assets.

9. Climate Change, Sustainability and Environmental Implications

- 9.1. This report does not currently introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and therefore no strategic environmental assessment is required, however this will be kept under review.
- 9.2. Should the proposals contained within both consultations be progressed, it is anticipated these will have long term positive impacts on reducing emissions within South Lanarkshire.

10. Other Implications

- 10.1. The content of this report will contribute to the evidence to support the requirements of the Annual Assurance Statement.

11. Equality Impact Assessment and Consultation Arrangements

- 11.1. Within its response to both consultations, the Council suggests it would be appropriate for the Scottish Government to consider the impact to vulnerable groups and households from the proposals.

Stephen Gibson

Executive Director (Housing and Technical Resources)

25 April 2024

Link(s) to Council Values/Objectives

- ◆ focused on people and their needs
- ◆ working with and respecting others
- ◆ accountable, effective, efficient and transparent

Previous References

- ◆ Housing and Technical Resources Committee of 24 April 2024

List of Background Papers

- ◆ Scottish Government, Consultation on a new Social Housing Net Zero Standard in Scotland, [Consultation on a new Social Housing Net Zero Standard in Scotland \(www.gov.scot\)](https://www.gov.scot/consultations/2024/04/consultation-on-a-new-social-housing-net-zero-standard-in-scotland)
- ◆ Scottish Government, Consultation on the Heat in Buildings Bill, [Delivering net zero for Scotland's buildings - Heat in Buildings Bill: consultation - gov.scot \(www.gov.scot\)](https://www.gov.scot/consultations/2023/04/delivering-net-zero-for-scotland-s-buildings-heat-in-buildings-bill-consultation)
- ◆ Scottish Government, Heat in Buildings Strategy, November 2021

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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