

Interim Guidance for Social Landlords during the review of the Energy Efficiency Standard for Social Housing post 2020 (ESSH2)

October 2022

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Status

This interim guidance comes into effect from the date of publication and supersedes the existing ESSH2 guidance for social landlords.¹

This interim guidance will be replaced by the new standard following the ESSH2 review. We anticipate that the review will be completed by mid-2023.

Key Points

1. The 2025 and 2032 ESSH Milestones are temporarily put on hold.
2. Whilst the review is underway social landlords should continue to invest in energy efficiency measures to help reduce running costs, and in zero direct emissions heating systems where appropriate. This will prevent lock-in of poor performance and reduce the risk of additional issues arising in future.
3. Registered Social Landlords (RSLs) and local authorities should continue to draw on support available for example through the Social Housing Net Zero Heat Fund which will provide £200 million of grant support over the length of this Parliament.

¹ [Energy Efficiency Standard for Social Housing \(ESSH\): guidance for social landlords March 2021 - gov.scot \(www.gov.scot\)](https://www.gov.scot/energy-efficiency-standard-for-social-housing-eeshh-guidance-for-social-landlords-march-2021)

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Background

1. In *Housing to 2040*, the Scottish Government made a commitment to seek the agreement of the social housing sector to bring forward the review of the Energy Efficiency Standard for Social Housing post 2020 (ESSH2) to begin in 2023, with a view to strengthening and realigning the standard with net zero requirements so that social housing leads the transition to zero direct emissions buildings.²
2. Landlords are, we know, conscious of current financial pressures due to inflation, rising energy bills, and the development of the moratorium on rent increases that will affect their capacity to invest in their stock. Landlords are experiencing increased costs for construction and maintenance, adding pressure to the need for investment to be affordable, and are mindful of the cost impact on tenants. Within these constraints, action is still needed to progress towards net zero to meet climate change targets and to reduce fuel poverty.
3. The Report of the Zero Emissions Social Housing Taskforce (ZEST) recommended that the Scottish Government bring forward the review of ESSH2 to align with the net zero - and our guiding principles of a just transition that is fair to everyone and leaves no one behind.³ In our response to the ZEST Report we agreed to bring forward and accelerate the review of ESSH2, to commence in summer 2022 for completion in 2023, undertaking this review jointly with the social housing sector.⁴
4. The review commenced in September 2022, and is expected to take approximately 9 months to complete. We will then consult on the recommendations from the review, and the final proposals for a new target will then be submitted for consideration by Scottish Ministers.
5. The ZEST report also makes the following recommendation: **Recommendation 4, Action 3:** In order that time is not wasted planning for the requirements as they currently stand, if it is now likely the goalposts will shift, the Scottish Government and Scottish Housing Regulator should issue interim guidance on what measures should be prioritised during the review period.
6. This interim guidance delivers this recommendation.

² [Housing to 2040, the Route Map - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/housing-to-2040/route-map/pages/10.aspx)

³ [Achieving net zero in social housing: Zero Emissions Social Housing Taskforce report - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/achieving-net-zero-in-social-housing-zero-emissions-social-housing-taskforce-report/pages/1.aspx)

⁴ [Zero Emission Taskforce recommendation report: Scottish Government response, Chapter 4 Providing social landlords with certainty - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/zero-emission-taskforce-recommendation-report-scottish-government-response/chapter-4-providing-social-landlords-with-certainty/pages/1.aspx)

The EESSH Milestones

7. The 2020 EESSH milestone (EESSH1) set a single minimum Energy Efficiency rating for each home rented by social landlords. The target varied dependent upon the dwelling type and the fuel type used to heat it. In terms of the SAP 2012 methodology the target varied between a rating of 47 (in EPC band E) for an oil heated house, and 69 (in EPC band C) for a gas heated flat.⁵
8. The 2025 Milestone for EESSH2 is:
 - By 31 December 2025, no social housing is to be re-let below EPC Band D, and
 - By 31 December 2025, no energy efficiency improvements in social housing should worsen either the environmental impact rating of a home, or the air quality of a home.
9. The 2032 Milestone for EESSH2 is:
 - By 31 December 2032, all social housing meets, or can be treated as meeting, EPC Band B, or is as energy efficient as practically possible, within the limits of cost, technology and necessary consent.
10. Details of these milestones and what they require is set out in the EESSH2 guidance published in March 2021. See guidance at [Energy Efficiency Standard for Social Housing \(EESH\): guidance for social landlords March 2021 - gov.scot \(www.gov.scot\)](#), paragraphs 9-10, 55 and 64.

⁵ SAP 10.2 is not currently in use, but we anticipate that the EESSH1 targets will require conversion from SAP 2012 to SAP10.2 equivalents. There is a conversion table in table 15 of the SAP10.2 specification at <https://bregroup.com/sap/sap10/>.

What does “temporarily put on hold” mean?

11. Temporarily put on hold means:

(a) The 2020 EESSH milestone, or EESSH1, continues to apply

The EESSH1 milestone, which social housing should meet since the end of December 2020, continues to apply.

There are a number of exemptions which landlords can apply to their stock where it is not possible to meet these targets.

A house must either meet EESSH1 or be exempt from it, in order to comply with the Scottish Housing Quality Standard.

(b) Landlords are not required to show progress towards EESSH2 milestones.

Landlords are not required to show that stock meets or is progressing towards EESSH2 milestones in reporting their performance for the years ending March 2023 or 2024.

(c) SHR has paused collection of EESSH2 data

The Scottish Housing Regulator has advised landlords that it will pause the collection of data on EESSH2 until after the conclusion of the Scottish Government’s review when it will consult on indicators for the Annual Return on the Charter that are appropriate to the outcome of the review. It has advised that for now, it will focus on the quality of landlords’ housing condition information and the effectiveness of asset management strategies. So, during the two business years in which the review is taking place, landlords are not required to submit to the regulator data on the overall performance of their housing stock against either the 2025 or 2032 milestones.

Landlords should however, continue to collect data for their own use, including on the following:

- the number of properties in each EPC band at the end of each year; and
- on the value of investment in energy efficiency improvements in each reporting year.

Action by landlords in the review period

12. Landlords and tenants are under exceptional financial pressure in the current climate, but the suspension of EESSH2 milestones must **not** be used as a rationale for non-investment in the improvement of housing stock.
13. The aim of the EESSH2 review is to ensure that investment is targeted toward effective long-term solutions that deliver net zero and support the eradication of fuel poverty. It will help support the delivery of the statutory target that by 2040 no more than 5% of households in each local authority area should be in fuel poverty.⁶
14. The Review will develop new targets for domestic dwellings, that meet the aims outlined in the ZEST report and the Scottish Government's response. These targets will be set on the basis of what is considered achievable by the milestone date, assuming continued investment in houses between now and that date. In the meantime, landlords should continue to invest in appropriate measures to improve the energy efficiency of their tenants' homes, and where possible in zero direct emissions heating, to ensure that they are in the best position possible to work towards the new standard when this is set.
15. During the review period, landlords should continue with planned investment in energy efficiency measures and decarbonising heating systems, prioritising this investment on measures that will contribute towards meeting the net zero target.
16. Priority should be given to what has the biggest impact for the lowest cost. Fabric first is essential as a low regret investment. The following areas should be prioritised for investment in the review period:
 - Fabric first (measures to improve thermal efficiency and heat loss, and any associated ventilation required);
 - Measures that use zero emission electrical heating;
 - Reducing the energy use of property (kWh/m²/year);
 - Projects for connecting to district heating;
 - Projects for communal heating systems;
 - Projects that make a significant difference to hard-to-treat properties; and
 - Projects that help to model the actual performance of new technologies, its impact on buildings, and its use by tenants;
 - Improving data collection and management.

⁶ [Home energy and fuel poverty - gov.scot \(www.gov.scot\)](https://www.gov.scot/home-energy-and-fuel-poverty)

17. The following table is an illustrative list of measures that should be considered for investment in the review period.

Fabric Measures	Heat Measures
Double glazing	Heating controls and thermostatic radiator valves
Secondary glazing	Upgrade electric heating from storage heaters to high retention storage heaters
Loft insulation top-up	Thermal batteries for water heating
Floor insulation	Water heat reclamation
External solid wall insulation	Air source heat pump
Internal solid wall insulation	Ground source heat pump
Cavity wall insulation	Solar photovoltaic panels
Flat roof insulation	Solar thermal hot water
Additional cavity wall insulation	Battery storage linked to photovoltaic panels
Additional external wall insulation	District and communal heating
Insulated doors	
Triple Glazing	
Hot water tank and pipe insulation	
Room-in-roof insulation	
Air-tight membranes	
Draught-proofing	

18. Where projects go ahead, landlords should consider installation of monitoring equipment to test the actual performance of energy efficiency measures, and encourage behaviour change, but it is not mandatory to install them.
19. There is a risk that insulation measures unintentionally reduce domestic air quality and lead to significant future health problems for people and buildings. The benefit of monitoring is that it allows landlords to see the impact of measures, so that if necessary they can design in ventilation to projects. We also know that future heating systems are likely to require behaviour change by occupiers, and it is important that people get information in a form that influences their behaviour by allowing them to see the impact of how they live. For this reason CO₂ monitors are now required in new builds.⁷ By anticipating future problems the cost of monitoring equipment is likely to be outweighed by future savings. However, while there are definite advantages to having monitoring equipment, it is a question of judgement for the landlord when and if they are installed. The installation of monitoring equipment is not compulsory. As the main purpose is to see how insulation measures change air quality this would only be relevant if they are installed before installation of insulation and new heating.
20. Where heating systems need to be converted, changed, or upgraded during the review period, landlords should prioritise the installation of zero direct emissions heating technologies e.g. heat pump or connection to a heat network.

⁷ [Building standards technical handbook 2022: domestic, section 3.14 - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/building-standards-technical-handbook-2022-domestic/section-3.14-ventilation-awareness-in-dwellings/), section 3.14.2 Ventilation awareness in dwellings

21. We do not expect clarity on hydrogen until at least 2026 which is when the UK Government is expected to make its final decision on the use of hydrogen for heat. In order to make progress on our climate change targets in the meantime, social landlords must plan for the decarbonisation of their housing stock now in the context that there is no guarantee that hydrogen will be both available and cheaper than electrification or heat network routes.

Investment decisions

22. Investment in housing will be affected by the current cost-of-living crisis. The Scottish Government recognises that the rises in inflation puts additional pressure on existing programmes, including increased costs for installers and materials, and on existing commitments for maintenance and repair. Landlords will be mindful of uncertainty around inflation and the development of the moratorium on rent increases, and the impact of these factors on business planning. Landlords will also be mindful of the difficulty of ensuring investment is cost effective, and the balance between reducing fuel costs and increasing rents.
23. EESSH2 does not change landlords' responsibility to manage their investment policy to ensure that it is cost-effective, especially where substantial additional investment has a potential impact on rents. EESSH2 provides that landlords have broad discretion to decide if potential energy efficiency measures are too expensive, or are not value for money in their stock. However, it remains the case that decarbonisation will require significant changes to social housing, along with other buildings, in order to realise the aim to deliver net zero heating.
24. Landlords are expected to continue to seek funding opportunities and to have active plans for the improvement of their housing stock.
25. A cost-effective investment policy is recommended (see Section 8 of the EESSH2 guidance), and will continue to be valuable to support decisions on potential projects.
26. Further advice on potential funding sources will be produced and disseminated to social landlords. This will be developed as part of the EESSH2 Review.

Monitoring progress

27. Landlords' performance towards meeting EESSH milestones is monitored by the independent Scottish Housing Regulator.
28. Landlords have a responsibility to ensure data which they provide to the regulator is accurate.
29. Scottish Housing Regulator has advised landlords that it will pause the collection of data on EESSH until after the conclusion of the Scottish Government's review. It will then consult on EESSH indicators for the Annual Return on the Charter that are appropriate to the outcome of the review. Data will not be required retrospectively, but during the business years affected by the review period, 2022-23 and 23-24, landlords should continue to collect data for their own monitoring purposes on:
 - The EE rating bands of stock – either from EPCs or estimated from other data held by the landlord; and
 - The amount of investment committed to energy efficiency improvements in each year, and whether this is funded from the landlord's own resources.
30. For their own benefit, we recommend that landlords keep records of obstacles to improvements, such as lack of consent, projects that are deemed not to be cost-effective, and any review of options for energy efficiency improvements.
31. Compliance with the EESSH1 2020 milestone will continue as element 35 of SHQS.
32. The ZEST Report (Recommendation 5, action 1) recommends that social landlords should undertake an in-depth and updated stock condition survey to assist in mapping the existing stock, including details of new builds, adaptations and previous retrofit measures. The Scottish Government will provide further guidance to support a standardised approach to assist in tracking and working with the future mass rollout of key retrofit archetype solutions.
33. Local authorities may need to collect data for Local Heat and Energy Efficiency Strategies (LHEESs). This may require input from RSLs in their areas.



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