

Consultation on a Social Housing Net Zero Standard in Scotland

Fairer Scotland Duty Assessment

November 2023

Policy Aim

The proposals for a new Social Housing Net Zero Standard in Scotland will affect Local Authorities and Registered Social Landlords (RSLs) and their tenants across Scotland in communities and geographies of all types. Due to the demographic of social housing, we expect the proposals will impact people of the following groups more than others:

- Those with low incomes and low wealth
- Those in comparatively disadvantaged or deprived areas
- Those with lower socio-economic background

Summary of Proposal

The proposal seeks to introduce a new Social Housing Net Zero Standard. This will replace the post-2020 Energy Efficiency Standard for Social Housing (EESSH2). Current proposals, that have been co-developed with social housing stakeholders involved in the review of EESSH2, are as follows:

- A fabric efficiency rating (which focuses on the amount of energy for heat consumed by a property) measured in kWh/m²/year
- A requirement to replace polluting heating systems¹ with a clean heating alternative by a backstop date of 2045
- Ancillary elements of the proposed standard include measures to ensure air quality, variation of the standard in specific cases, and restrictions on re-letting property that cannot be brought up to standard.

Summary of evidence

This impact assessment draws on the evidence gathering exercise conducted in 2021 for the FSD assessment for an earlier policy, the Heat in Buildings Strategy. The proposals being consulted on for the new Social Housing Net Zero Standard follow on from the commitments made in the Heat in Buildings Strategy and as a result, the evidence gathered at that time remains relevant. Evidence was gathered from responses to a public consultation on the draft Heat in Buildings Strategy. 178 respondents submitted a response. On-line consultation events were also held with stakeholders invited from a range of representatives from various sectors including the environmental and energy sector, local authorities, fuel poverty, social landlord representative bodies, consumer advice and information bodies, stakeholder groups and the building and construction sector.

Evidence was also gathered via the Scottish Household Survey, Scottish House Condition Survey and a social research project on the likely equality implications of heat decarbonisation in social housing Scotland. This research looked at each of the

¹ 'Polluting heating systems' refer to heating systems which burn fossil fuels like gas boilers, oil boilers and liquid petroleum gas (LPG) boilers in this Impact Assessment. These are 'direct emissions heating systems' because they produce greenhouse gas emissions when we use them.

protected characteristics and has also informed an Equality Impact Assessment (EQIA) which was carried out separately.

This impact assessment has reconsidered the evidence gathered for the FSD assessment for the Heat in Buildings Strategy and has updated it where additional data is available.

Existing inequalities of outcome, caused by socio-economic disadvantage, in this specific policy area:

Education and employment

Indoor temperature is linked to productivity, and can therefore impact upon the ability of school-age children to carry out homework or study for exams at home, which can have a knock-on effect on their educational attainment, and ultimately their employment opportunities.

There is evidence that other links between educational attainment and warm homes exist. For example, avoidance of physical stress (particularly respiratory health in children) and mental stress through warmer and more comfortable homes has been linked to decreased absenteeism from school by children and from work by adults; with potential impacts on academic performance, labour productivity and earning power.

Living in an energy inefficient home is costly, and households experiencing fuel poverty face difficult decisions about how much to spend on heating and how much to spend on food. A more energy efficient home could therefore lead to better nutrition for people vulnerable to fuel poverty - by making fuel bills more affordable a 'heat or eat' situation can be avoided.

Improved nutrition could subsequently lead to improved concentration and improved chances of educational attainment for school-age children, and better performance (and therefore future employment opportunities) for adults.

However, there are also risks that clean heating systems will increase running costs in some homes as a result of levels of insulation, size of property, heating system efficiency and energy prices.

Housing

Households in the social housing sector are significantly more likely than households in any other type of tenure to be found in high deprivation areas. Almost half of all households in the social rented sector were in the 20% most deprived areas in Scotland.

- 42% of local authority properties and 54% of housing association homes were located in the 20% most deprived areas.
- Social rented households are more likely to have an adult looking after the home or family or be unemployed and seeking work.
- Six in 10 adults were not in employment (60% for both local authority and housing association properties). The proportion of adults in social rented properties who were permanently sick or disabled was higher than those in all other tenure types (15% of social rented properties compared to between 1 and 3% in other tenures), and a further 8% were unemployed and seeking work.
- 28% of social rented households stated that they manage well financially, a figure lower than all other tenures.

Location

Evidence also suggests that location of households across Scotland can influence the level of social housing available, the prevalence of fuel poverty rates, health outcomes and rates of those who can manage well financially.

Differences in housing costs between areas can limit the neighbourhoods that people on lower incomes can live in. For example, while not all people living in deprived areas will be on low incomes, they are more likely to be. In 2019, 47% of socially rented households were in the most deprived areas compared to 17% of privately rented households and 12% of owner-occupied households (Scottish Household Survey, 2019). This has been increasing since 2013.

Evidence from the Scottish House Condition Survey (2019) suggests that between 2018 and 2019, rates of fuel poverty increased in remote rural areas (from 33% to 43%), increasing the gap when comparing overall urban (24%) to overall rural areas (29%). Similarly, levels of extreme fuel poverty increased in remote rural areas (from 23% to 33%), so extreme fuel poverty rates in rural areas (19%) were higher than in urban areas (11%)².

In 2019, the fuel poverty rate for rural (29%) households was higher than for urban (24%) households. Levels of fuel poverty for remote rural households are higher than for all other urban rural locations and have increased by 10 percentage points from 33% in 2018 to 43% in 2019. This increase reflects the high proportion of rural households which use electricity and other fuel types as their primary fuel type and the associated increase in fuel prices for these fuel types between 2018 and 2019.

² 2021 SHCS statistics were published in May 2023 at [Scottish House Condition Survey: 2021 Key Findings](#), however these results should not be compared with those for previous or future years owing to methodological limitations arising from data collection constraints at the time.

A corresponding Island Communities Impact Assessment has been completed to consider more explicitly island needs or any potential direct or indirect impacts for island communities.

Health

Living in a cold home can have negative impacts on health. Energy efficiency measures (e.g., insulation, draught proofing) reduce heat loss in a building and therefore reduce cold areas where moisture can condense and create damp, mouldy conditions. For example, Bush et al.'s (2018) evaluation of the Scottish Government's Energy Efficient Scotland (EES) pilot programme reported increased internal temperatures and a reduction in people feeling cold over winter following the installation of energy efficiency measures. They also found a significant improvement in housing problems such as damp, mould and condensation. A fabric first approach may therefore have a positive impact by making it easier for people to heat their homes and tackling health inequalities in Scotland associated with cold homes. Housing improvements are considered to have the most powerful impact when targeted at vulnerable or disadvantaged groups as they are more likely to live in poor quality housing (Liddell & Morris, 2010; IEA, 2019).

Housing is recognised as having an important influence on health inequalities in Scotland, with key pathways through housing quality and fuel poverty (NHS Health Scotland, 2016). Cold and damp homes may cause or exacerbate a number of health outcomes, primarily excess winter mortality, respiratory health conditions and mental health problems (Liddell & Morris, 2010; Marmot Review Team, 2011). Health, housing quality and fuel poverty are therefore closely linked: cold and damp homes are harder and more expensive to heat, and this has implications for the health and resources of people living in them.

Caution is required around any unintended consequences of retrofitting – there is an increasing evidence base on the possible adverse impacts of airtightness on indoor air pollution from radon and other pollutants, and the need for better (and correctly used) ventilation to address this.

Poverty

The Scottish House Condition Survey (2019) estimates 37% (around 235,000 households) of all social rented households were in fuel poverty, with 14% or 92,000 social rented households living in extreme fuel poverty. Fuel poverty is increasingly recognised as a multidimensional complex phenomenon, and households may move in and out of fuel poverty as conditions and circumstances change (Baker et al., 2018). It is often linked to elements of socio-economic disadvantage.

The Scottish House Condition Survey (2019) reports that 73% of fuel poor households are also income poor. Households that are in both income poverty and fuel poverty tend to live in more energy efficient dwellings than other fuel poor households, potentially because of high energy efficiency standards in the social rented sector. They are more likely to use gas for heating, live on the gas grid and live in urban locations compared to other fuel poor households. These characteristics point to low income as a key reason for their experience of fuel poverty.

Lived experience research into fuel poverty in Scotland (Scottish Government, 2020) also highlighted those tenants in fuel poverty, whether private or social, can feel that they have little control over replacing or changing their heating system as decisions are made by their landlord. These barriers were more likely to be present for households in extreme fuel poverty and echo findings in the Evidence Review. Fuel type has implications for fuel poverty - the 2019 Scottish House Condition Survey reports that levels of fuel poverty among households using electricity as their primary heating fuel have remained the highest, at 43%, compared to households using gas (22%), oil (28%) and other fuel (31%) as their primary heating fuel. A key implication of this is that there is a strong link between electricity for fuel and fuel poverty. This suggests that switching to clean heating systems that use electricity may exacerbate fuel poverty.

Possible impacts of the policy/programme/decision, as planned, on the inequalities of outcome?

The proposals for the new standard are not directly aimed at any particular socio-economic group, but are aimed at the homes they live in. It is anticipated that in the long term these proposals will impact positively on all residents of social housing through the provision of homes that are easier, cleaner and cheaper to heat. However, in the short-term issues such as the disruption from installation and increased running costs of clean heating systems might have an effect on certain groups who experience socio-economic disadvantage, including those who experience inequality of outcome in terms of:

- Education and employment
- Housing,
- Location
- Health
- Poverty

There is opportunity to reduce inequalities of outcome through the new Social Housing Net Zero Standard proposals:

Education and employment

Warmer homes can provide a better place to study and therefore aid educational attainment, whilst also providing a better place in which people can interact with family and friends, aiding good mental health.

Housing

We will take steps to ensure that social landlords have the opportunity to help shape the decisions we take on developing the new standard. We will consult extensively with stakeholders and citizens on these proposals and build on the findings of this impact assessment.

Location

The National Islands Plan acknowledges that extreme fuel poverty rates are higher for most of the island authorities and provides a framework for action in order to meaningfully improve outcomes for island communities.

Health

There are a number of positive health impacts that the new standard proposals may play a role in delivering. For example, a shift away from fossil fuel removes combustion and therefore the risk of carbon monoxide poisoning. Efforts to improve energy efficiency and heating in social housing could positively impact on infant physical development, long-term physical and mental health and education (with less missed days at school due to illness). Moving towards clean heating technologies such as heat pumps can also provide a more constant heating regime for a home due to the operational requirements of a heat pump. This may also benefit occupants by providing more consistent levels of comfort.

However, if a property is not kept well ventilated through construction, technological or natural means, energy efficiency measures that improve airtightness, can lead to increased indoor air pollutants; risk of overheating in the summer months and rise in humidity, which can result in increased dust mites and mould impacting respiratory conditions and allergies.

These proposals recognise that it will be important to understand the need for adequate ventilation, that could be applied to buildings during the course of improving their energy efficiency.

Poverty

The Scottish Government currently provides free and impartial advice and support through Home Energy Scotland (HES). HES provides in-depth advice to householders on clean heating technologies and on how to reduce their energy bills.

The Scottish Government is engaging with local authorities and registered social landlords on the affordability of the new Social Housing Net Zero Standard, and the support needed for the sector. We are committed to the principle that meeting our climate change targets should be a just transition, so that the burden does not fall unfairly on those least able to pay, and to make sure that no one is left behind.

Landlords are encouraged to make use of available funding sources, which includes the Social Housing Net Zero Heat Fund and other Scottish Government schemes.

At least £1.8bn over this parliament is committed to be made available to help retrofit heat and energy efficiency measures. This includes Social Housing Net Zero Heat Fund – investing in a sector already leading the way in the heat transition.

The Social Housing Net Zero Heat Fund launched in August 2020 and is making at least £200 million available to social landlords until 2026 for the retrofit of their existing housing stock. The fund supports both the deployment of Zero Direct Emission Heat and "Fabric First" enhancements, helping landlords deliver warmer and more energy efficient homes. Projects are eligible for up to 60% of the costs of clean heating systems and 50% of energy efficiency measures. Rural and island communities face different challenges when delivering decarbonisation projects in social housing, so the fund has introduced uplifts to the average grant cap. For projects in rural areas, the average grant cap per property will be increased by 11% and in remote areas by 22%. Rural and Remote areas can be identified using the 6-Fold Scottish Government classification.

Our Scottish Fuel Poverty Advisory Panel oversee implementation of our Fuel Poverty Strategy, providing an important means of external scrutiny on our progress towards meeting the statutory targets and collectively holding the Scottish Government to account on its delivery. As the Fuel Poverty 2019 Act requires the Scottish Government to formally consult with the panel on the strategy, we expect their further advice to Scottish Ministers by Summer.

Alternative approaches to the policy/programme/decision?

UK approach

The UK Government Heat and Buildings Strategy was published on 19 October 2021 and sets out the broad direction of UK Government policy making in regard to decarbonising homes and buildings. The UK Government also published the Social Housing White Paper on 17 November 2020, in which they committed to reviewing the Decent Homes Standard to consider how it can better support decarbonisation and improve the energy efficiency of social homes. The Scottish Government will continue to work with the UK Government as it implements its Strategy. The Scottish

Government will also continue working with the Welsh Government as they develop policy for improving the energy efficiency of their social housing stock.

International alignment

Scottish Government officials keep track of the policies and regulatory frameworks being introduced in European countries and further afield to help inform our own decision making.

Key evidence gaps

The evidence collection for the Heat in Buildings Strategy and the data from the Scottish House Condition Survey (SHCS) provides an excellent basis of knowledge for this impact assessment. It is worth noting however the most recent statistics from the 2021 SHCS are experimental, and not comparable to previous years. When further data becomes available, we will seek to incorporate it into further impact assessments.

Involving communities of interest (including those with lived experience of poverty and disadvantage) in this process?

Key stakeholder groups will be asked to provide input and opinion on the impacts of the new standard on them and the groups and people they represent. Following the publication of the consultation, we will engage widely with stakeholders in discussion of specific issues in the consultation. The stakeholder review group for EESSH2 includes tenant representatives to ensure the voices of the people most likely to be affected by the new standard are included in the policy making decisions. The review group also included representatives from the charity organisations Changeworks and Energy Savings Trust.

We are also carrying out other Impact Assessments including an Islands Communities Impact Assessment, Child Rights and Wellbeing Impact Assessment and Equalities Impact Assessment. Residents of Island Communities, children and those with protected characteristics are all impacted differently by these proposals and many of these impacts have related or crosscutting impacts that also fall under the scope of the Fairer Scotland Duty. For example, they are subject to different building types, geographies, heating systems, costs, access to information and technology and can be impacted by fuel poverty.

Specifically, the Scottish Government will undertake the mitigating actions outlined within this FSD and subsequent policy development will have regard to the Fairer Scotland guidance and undertake additional FSDs as relevant.

Assessment and improvement

Options to strengthen impact on inequalities of outcome?

Better energy efficiency standards in homes can save energy and reduce bills while making homes warmer and more comfortable.

The proposals for the new Social Housing Net Zero Standard have been written with the intention of having a positive impact in decarbonising heat and reducing emissions from social housing while considering our legal obligations in tackling fuel poverty as well as other socio-economically disadvantaged groups.

Adjustments to address inequalities associated with particular groups, communities of interest or of place who are more at risk of inequalities of the outcome?

We have identified the following mitigation measures to combat the negative impacts identified:

- People will have different levels of knowledge and understanding about clean heating systems and energy efficiency options and will value good and impartial advice. We intend to make sure that this remains available; we will do this by listening to what people want and need and continuing to develop and build on the support that we already provide – especially in the early years following the implementation of the new standard.
- Our advice and support programmes will continue to support energy efficiency measures, and for those households requiring additional support these services will continue to provide help on tariff switching, energy behaviours and make onward referrals to ensure that all households, including those with socio-economic disadvantage receive the support for which they are eligible
- The Green Heat Finance Taskforce is exploring ways to encourage a greater flow of private finance into the installation of clean heating and to improve the energy efficiency of Scotland's buildings. Private finance will be required to complement that available through the wider public sector, to ensure property owners can access the necessary finance to install clean heating systems in a form which works best for their individual circumstances and which allows them to spread the upfront costs over time.
- The Taskforce has brought social landlords and their representatives together with financial investors to discuss options for financing the transition of the existing social housing stock to net zero. The Taskforce's Part 2 report in 2024 will include consideration of financing options to enable social housing installation of clean heating solutions, taking account of the needs of both social landlords and factors influencing institutional investor decision making.

- The Scottish Government continues to believe that better energy efficiency standards in homes can save energy and reduce bills while making homes warmer and more comfortable. Improving the energy efficiency of our housing stock remains a huge priority for Scottish ministers, which is why our national fuel poverty programmes will continue to support better insulation and other improvements to homes in, or at risk of, fuel poverty.

Proposed changes

No changes have been made at this time however it is anticipated that changes will be made following the results of the consultation.

Any changes found necessary from the results of the consultation will be implemented following the consultation.

Sign off

Name: Sue Kearns

Position: Deputy Director, Heat in Buildings Policy and Regulations Division



© Crown copyright 2023



This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3 or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: psi@nationalarchives.gsi.gov.uk.

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at www.gov.scot

Any enquiries regarding this publication should be sent to us at

The Scottish Government
St Andrew's House
Edinburgh
EH1 3DG

ISBN: 978-1-83521-680-4 (web only)

Published by The Scottish Government, November 2023

Produced for The Scottish Government by APS Group Scotland, 21 Tennant Street, Edinburgh EH6 5NA
PPDAS1361522 (11/23)

W W W . g o v . s c o t