

Climate Emergency Skills Action Plan 2020-2025

Draft Implementation Plan

Key Issues And Priority Actions



Skills
Development
Scotland



Scottish Government
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Draft Implementation Plan: Principles

- Based on initial discussions between SDS, SFC, SG, ZWS and other key partners
- Net zero transition is a key transformational opportunity for the Scottish economy – and we need a bold implementation plan to meet that ambition
- Focussing on initial 3 year Implementation Plan– and repeat with two further 3 year ‘sprints’ to 2030 (align with 75% emissions reduction target)
- Skills investment will need to follow the CCUP investment in realisation of economic opportunity and jobs
- A Just Transition is central to the CESAP – we need to support individuals, businesses and regions
- Recognition that some funding is already on place – and there may be opportunity to redeploy resources
- However this is an ‘Emergency’ – we will also need to invest to move at the pace that is required

Priority Areas for Action

CESAP Themes (6)

1. Supporting a green labour market recovery from COVID-19
2. Building better understanding and evidence of future skills needs to support Scotland's transition to net zero
3. Developing the future workforce for the transition to net zero
4. Driving awareness and action to support reskilling and upskilling for the transition to net zero
5. Ensuring fairness and inclusion in the skills system as part of a just transition to net zero
6. Taking a collaborative approach to ensure a skills system responsive to changing demands

Implementation Plan Priorities (5)

Inspiring and empowering **young people** to engage with the transition to net zero *(CESAP Themes 3 and 5)*

Support **transitioning and upskilling** to meet emerging green jobs skills needs through the creation of a Green Jobs Workforce Academy *(1,4,5)*

Securing the talent pipeline for future net-zero jobs by **aligning WBL, FE and HE provision** behind the needs of the net – zero transition. *(3,4,5)*

Helping **employers and individuals** to capitalise on net zero transition opportunities and **facilitating behaviour change** through a Green Jobs Skills Hub *(1,4,5)*

Driving change in the skills system *(1,2,3,4,5,6)*

Inspiring and engaging young people

Potential Interventions

- Rapid expansion and national scaling of Climate Education in Schools and co-design of curriculum development to ensure that climate emergency is embedded as a key component of all disciplines
- Establish Technical Expert Groups to develop Foundation Apprenticeships for Green Jobs aligned to net zero occupations
- Mainstreaming and national roll out of the #FuelChange Apprenticeship Challenge
- Promote emerging carers opportunities to young people through the Green Jobs Careers Hub and development of MyWoW Live offer
- Climate Emergency Career Development Fund – Developing Young Workforce Groups and Young Scot to stimulate stronger links between employers and schools and youth groups

Delivery partners

SDS, Education Scotland, ZWS, Keep Scotland Beautiful, Young Scot, DYW, Local Authorities, Colleges, HEI's, Employers

Transitioning and upskilling

Potential Interventions

- National Transition Training Fund – Green Jobs (2021/22)
- Establish a National Green Jobs Workforce Academy by March 2022 combining four elements:
 - A Green Jobs Careers and Skills Assessment Tool that will support redundant workers and those in occupations at risk to assess their skills sets for green jobs and identify the training required to secure stable employment in the sector
 - Development of industry led curriculum and provision ‘Fast Track Green Jobs’ - to support people to transit into immediate opportunities and support employers to recruit work ready staff
 - In partnership with Scotland’s Colleges, HEIs and Training Providers, developing an Online Green Jobs Workforce Academy – curating, cataloguing and providing access to national online training in support of the net zero transition across key sectors and occupations
 - Establishing a Green Jobs Upskilling and Reskilling Fund to support workers at risk to draw down skills investment

Delivery partners

SDS, SFC, Colleges, Universities, Training Providers and Employers

Securing a talent pipeline for future net- zero jobs

Key Interventions

- Baseline assessment of existing alignment of provision across WBL / and Further and Higher Education to understand provision currently meets the needs of the net-zero transition and gap analysis
- Development of new work-based learning pathways to capitalise on net-zero opportunities and maximising the uptake of apprenticeships in green jobs
- Alignment of WBL and education and training opportunities in colleges and universities to net-zero opportunities and maximising their uptake supported by
 - College Engagement and Curriculum development vehicle (ESP)
 - Universities Engagement and Curriculum development vehicle (TBC)
 - Establishment of Scottish 'Green MBA' - developing future business leadership and management capabilities for the net zero transition

Delivery partners

SDS, SFC, Industry/Sector Skills Groups, ESP, Regional Colleges, HEIs

Supporting employers and individuals behaviour change

Key Interventions

- Establishment of Green Jobs Skills Hub to provide leadership, influence and guidance in businesses to help them develop the required knowledge, skills, standards, behaviours, attitudes and education to support the transition to net zero.
 - Raising awareness amongst employers of the need for behaviour change, and changes to workplace practices through Net Zero Skills Audits, upscaling climate emergency training and development of a Micro/Small Business Toolkit to support adaption to needs of net zero
 - Develop case-study based marketing and communication materials highlighting company best practice
 - Further development of leadership and management skills required for a net zero future through online and peer to peer learning
- Green Jobs Fund – providing targeted support to SME's and companies in pivotal sectors to capitalise on emerging green jobs opportunities

Delivery partners

SDS, Zero Waste Scotland, Keep Scotland Beautiful, Enterprise Agencies, Employers / Employer Bodies, CoC and IOD

Driving change in the skills system

Key Interventions

- Establishment of dedicated cross agency / organisational resource that delivers
 - Ongoing industry-led Future Insight programme that maps investment cycles and undertakes detailed demand analysis to better understand scale and timing of green job opportunities and developing an occupational roadmap for the Net Zero transition
 - Develop and maintain an extended network of the ILG skills groups in sectors critical to the net zero transition
 - Works with the Enterprise Agencies, SFC, Regional Economic Partnerships and the HE and FE sectors to identify emerging regional economic opportunities from the net zero-transition and mobilise regional skills investment behind them
 - National dissemination and engagement programme with Colleges, Universities, Local Authorities, Schools, Training Providers and Careers Advisers to build a deep understanding of the implications of the net zero transition amongst skills and education providers
 - Establish and support a new Climate Emergency Economic and Investment Leadership Group and Implementation Steering Group

Delivery partners

Led by SDS, and working closely with SFC, Scottish Cities Alliance, Employers, Industry Leadership Groups, Enterprise Agencies, Energy Skills Partnership, Universities Scotland

Discussion

Implementation Plan Priorities

- Inspiring and empowering **young people** to engage with the transition to net zero
- Support **transitioning and upskilling** to meet emerging green jobs skills needs through the creation of a Green Jobs Workforce Academy
- Securing the talent pipeline for future net-zero jobs by **aligning WBL, FE and HE provision** behind the needs of the net – zero transition.
- Helping **employers and individuals** to capitalise on net zero transition opportunities and **facilitating behaviour change** through a Green Jobs Skills Hub
- **Driving change in the skills system**

Questions

- Are these the right Implementation Plan Priorities?
- Are some Priorities more important than others?
- Are there key CESAP commitments that we need to include in first 3 years?

Next steps

- Refinement of Implementation Plan by end April 2021:
 - Feedback on Implementation Plan Actions – and one to one engagement with partners
 - Identification of any existing funding commitment in place from partner agencies to deliver on priority actions
 - Identification of potential resources that could be redeployed
- Agree the combined contribution of Government and its agencies to CESAP implementation
- Identify 'gap' between resources available and Implementation Plan ambition
- Use the ISG to direct and channel investment and monitor and evaluate the Implementation Plan

Energy efficiency funding relevant to social housing providers

Energy efficiency retrofit funding sources available to social housing include various loan and grant funding schemes for capital energy efficiency measures and ongoing revenue support from two renewables funding schemes.

There are also loans and grant funding schemes only available to private sector properties, but relevant to mixed tenure and estate improvement programmes, which will be important in delivering wider decarbonisation programmes.

Funding support for energy efficiency measures available to social housing providers

Grant and loan funding

Low Carbon Infrastructure Investment Fund (LCITP), Social Housing Net Zero Heat Fund

The LCITP managed Social Housing Net Zero Heat Fund will target total investment through a blended model of capital grant funding with loan funding available as partial match. 100 million of funding will be provided up to 2026 for deployment of low carbon heat measures in existing properties.

<https://www.gov.scot/publications/social-housing-net-zero-heat-fund-overview/>

Energy Company Obligation (ECO)

ECO is an obligation on larger scale energy suppliers to fund installation of energy efficiency and heating measures, which reduce fuel bills for households vulnerable to experiencing fuel poverty. These will include households in private sector properties that are in receipt of various passport benefits or have low incomes and meet criteria set by local authorities on fuel poverty or vulnerability to cold related illness (flexible eligibility). Social housing properties with EPC ratings of E, F or G or D, E, F or G for listed “innovation” measures are also eligible for insulation and some heating and renewables measures. Funding for measures is usually accessed through energy companies and their delivery partners, but can be accessed directly by social housing providers. The next phase of ECO (ECO 4) is due to commence in April 2022 and a consultation on the new phase is likely to be issued on June 2021.

<https://www.ofgem.gov.uk/publications-and-updates/energy-company-obligation-2018-22-eco3-guidance-delivery-draft-comment>

District Heating Loan Fund

The scheme is managed by the Energy Saving Trust and provides low interest unsecured loans up to £1 million (and above) with repayment terms of up to 15 years, to support capital costs of delivering heat networks. The scheme is available to local authorities, RSLs, energy services companies (ESCOs) and legally constituted community groups.

<http://www.energysavingtrust.org.uk/scotland/grants-loans/district-heating-loan>

Community and Renewable Energy Scheme (CARES)

CARES is a scheme that support the installation of community based renewables and is open to local authorities and RSLs. The scheme is delivered on behalf of the Scottish Government by Local Energy

Scotland and provides enablement grants for non-capital aspects of a project, such as feasibility studies, community consultations and other preparatory costs. The scheme has also provided loan and grant funding for capital costs at certain times.

<http://www.localenergy.scot/funding>

Energy Industry Voluntary Redress Scheme

Available to LAs and RSLs that apply in conjunction with registered charities. The scheme is managed by Energy Saving Trust on behalf of the energy industry and supports initiatives through a competitive application process for projects that covers specific themes, including, making homes more energy efficient and providing advice that helps consumers keep on top of their bills. Projects should be of benefit to people in England, Scotland and Wales and not support the Energy Company Obligation. The minimum grant that can be requested is £20,000 and the maximum amount is the lesser of £2 million or the total value of the current fund.

<https://energyredress.org.uk/about-us>

Revenue only funding

Renewable Heat Incentive-domestic scheme (RHI)

RHI is a scheme managed by Ofgem that provides annual payments over 7 years to support the cost of installing some heat producing renewable technologies in domestic properties (due to close to new applications at the end of March 2022). The scheme is available to all tenures.

<https://www.ofgem.gov.uk/environmental-programmes/domestic-rhi>

Smart Export Guarantee (SEG)

SEG is an obligation on licensed electricity suppliers to offer a tariff and make payments to small-scale low-carbon generators, including households and property owners, for electricity exported to the National Grid from 1 January 2020.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/807393/smart-export-guarantee-government-response.pdf

<https://www.ofgem.gov.uk/environmental-programmes/smart-export-guarantee-seg/about-smart-export-guarantee-seg>

Funding schemes that recently closed to applications, are in abeyance or support mains gas measures.

Energy Efficient Scotland loan scheme for RSLs

Interest free loans of between £30,000 and £1 million are available to housing associations and housing co-operatives to install energy saving measures, renewable and carry out associated repairs, with the aim of progressing properties towards the required Energy Efficiency Standard for Social Housing (EESH) standard. Funding is also available for repairs or enabling work to allow eligible energy saving measures to go ahead.

Repayments are made over 10 years.

<https://energysavingtrust.org.uk/service/social-housing/>

Social Housing Decarbonisation Fund - demonstrator

Competition scheme provided by BEIS for local authorities and LA-led consortia, who were able to bid for funding under this scheme to use innovative approaches to retrofitting social housing at scale.

<https://www.gov.uk/government/publications/social-housing-decarbonisation-fund-demonstrator>

Help to Heat

Help to Heat is available in Scotland from the gas transporter SGN and subsidises mains gas connections for households that meet certain criteria relating to fuel poverty risk. This can include connections carried out by independent gas transporters.

<https://www.sgn.co.uk/help-to-heat/>

Grant and loan schemes suitable for private sector properties only

Energy Efficient Scotland: area based scheme (EES:abs)

EES:abs is a Scottish Government scheme delivered via local authorities in target low income areas, and provides funding to private sector households for installation of insulation and low carbon heat measures (private landlords with more than three properties in their portfolio can't access this funding support). The schemes are often built around social housing installation programmes or target former right to buy properties.

<https://www.gov.scot/policies/home-energy-and-fuel-poverty/energy-saving-home-improvements/>

Warmer Homes Scotland (WHS)

Provides heating and energy efficiency measures to private sector households that are in receipt of various passport benefits and where the property has a SAP rating below 67.

<https://www.homeenergyscotland.org/find-funding-grants-and-loans/warmer-homes-scotland/>

Home Energy Scotland loan scheme

Provides loans to owner occupiers for various energy efficiency and renewable measures, along with 40% cashback for insulation measures and 75% cashback for renewable measures, up to set caps. The scheme also provides loans where households receive EES:abs or WHS funding and a householder contribution is required to the works.

<http://www.energysavingtrust.org.uk/scotland/grants-loans/home-energy-scotland-loan>

Private rented sector landlord loan

Funded by the Scottish Government and managed by Energy Saving Trust, the scheme provides loans to private sector landlords for stated energy efficiency measures.

The potential amount a landlord can borrow depends on how many domestic properties you they in their portfolio:

- Landlords with five properties or fewer in their portfolio can borrow up to £100,000.
- Landlords with six or more properties in their portfolio can borrow up to £250,000.

The final amount depends on the number of supported energy efficiency or renewable improvements they want to make. <https://www.homeenergyscotland.org/find-funding-grants-and-loans/private-landlord-loans/>

Energy Efficient Scotland: equity loan pilot scheme

Provides up to £40,000 funding based on equity on the property, repaid at point of sale of the house.

Piloted in Perth and Kinross, Stirling, Dundee, Glasgow City, Inverclyde, Renfrewshire, Argyll and Bute and the Western Isles local authority areas.

<http://www.energysavingtrust.org.uk/scotland/grants-loans/heeps/heeps-equity-loan-scheme>

Mapping out interests and resources for net zero heating in social housing

<p>The Big Picture</p> <p>Climate Assembly UK</p> <p>Climate Change Committee</p> <p>Housing to 2040</p> <p>Heat in Buildings Strategy</p>	<p>Social landlords as leaders of change</p> <p>The Impact of Social Housing: Economic, Social, Health and Wellbeing</p> <p>Pathway to zero carbon homes by 2045</p>	<p>Investment</p> <p>Financing zero carbon heat: turning up the dial on investment</p> <p>Scottish Cities Alliance</p>	<p>Case Studies</p> <p>ClimateXChange</p> <p>Historic Environment Scotland</p>
<p>Call for Government Action</p> <p>Energy efficiency's offer for a net zero compatible stimulus and recovery</p> <p>Infrastructure Commission for Scotland</p>	<p>Fuel Poverty</p> <p>Just Transition Commission</p> <p>Scottish Fuel Poverty Advisory Panel</p> <p>Good Houses for All</p> <p>Child Poverty Briefing</p> <p>Just Warmth</p>	<p>Rural and islands social housing</p> <p>Carbon-Free, Poverty-Free</p> <p>Towards a Robust, Resilient Wellbeing Economy for Scotland</p>	
<p>Green Recovery</p> <p>Create Green Jobs in Scotland</p> <p>New housing and future construction skills</p> <p>If not now, when? - Social Renewal Advisory Board report:</p> <p>Housing System Policy Circle</p>	<p>Wellbeing</p> <p>GoWell Housing Research</p>	<p>Working with mixed tenure/mixed use buildings</p> <p>Working Group on Maintenance of Tenement Scheme Property</p> <p>Under One Roof</p>	<p>Measuring Progress</p> <p>Energy Performance Certificates; An Alternative Approach</p> <p>Review of Energy Standards</p> <p>Low carbon heating in domestic buildings - technical feasibility</p>

sfha representation

Rent setting and affordability during the coronavirus pandemic and beyond

Summary paper for stakeholders

Spring 2021

For further information or support from SFHA contact
Shona Mitchell, Public Affairs Manager, smitchell@sfha.co.uk

www.sfha.co.uk

sfha

Scottish Federation of
Housing Associations

We are housing Scotland

Introduction

Rental income is vital for social landlords. It allows them to provide support and services for tenants as well as carry out essential repairs and maintenance work. These frontline services are needed to ensure the health, safety and well-being of tenants, and it is critical that they can continue, particularly during the ongoing coronavirus pandemic and recovery. Rents also allow housing associations to invest in building new homes.



This paper aims to set out the process, considerations and questions faced by a housing association in relation to rents, both generally and in the context of the ongoing coronavirus crisis. It is intended as a further step in an ongoing dialogue between SFHA, our members, Scottish Government and the Scottish Housing Regulator (SHR).

For housing associations in Scotland, rents charged do much more than cover the management costs of the properties. Ensuring homes are safe and compliant with new regulations comes at a cost, as does building new stock to meet the outstanding need for affordable social homes in Scotland.

Traditionally, housing associations set rents on an annual basis in consultation with tenants. A number of associations now adopt a longer-term approach and set out the level of increase over a number of years, usually linked to a specific programme of improvement works. Rent restructuring exercises can also see rent increases phased in over a number of years.

In light of the ongoing pandemic, associations find themselves and their tenants in a different financial position from what would otherwise have been expected. As a result, many associations plan to limit increases – or even freeze rents – for the coming financial year.

This paper will set out the issues facing associations, the role of tenants and communities in rent considerations, along with context and background on rent setting and affordability more generally.

With every association being responsible for its own business decisions, SFHA's work in this area seeks to address the essential questions of affordability and value in rent setting. It sets out to equip SFHA members with tools and guidance to help them to reach their own decisions, in consultation with their tenants.

SFHA welcomes the commitment in the recently published Housing to 2040 strategy document that the government plans to develop a shared understanding of affordability which is fit for the future and we look forward to working with government on this important topic.

Rent levels and income

Looking at the average costs of housing across all tenures, its clear social rents continue to be substantially lower than those in the private rented sector. The social housing sector does all it can to ensure rents are as affordable as possible and provide much more than a roof over tenants' heads.

In 2017, almost 70% of social rented households had a net income below £20,000, compared to 44% of private rented households (Scottish Government Communities Analysis Division, CAD, 2019).

Overall, during the 3-year period from 2015/16 to 2017/18, 42% of social rented households in Scotland earned less than £15,000.

During 2015-2018 households in the social rented sector in Scotland spent on average 24% of their net income on housing costs (rent gross of Housing Benefit, water and any service charges), while households in England spent 30% and in Wales 29%. For the same period private rented households in Scotland spent an equivalent of 27% (CAD 2019, p93).

The average weekly rent for RSL social rented properties in 2017/18 in Scotland was £82.28 according to the Scottish Government, which means on average £4278 per year, an increase of 2.4% on the previous year (CAD 2019, p4). The most recent figures available for all socially rented properties relates to 2018 where the average weekly rent was £86.93 in Scotland (UK Housing Review) and Scottish Government private sector rent statistics for 2019 show the average weekly rent in the PRS was £194.31, over twice as expensive.



70%

of social rented homes have a net income below £20,000 compared to 44% in private rented homes



42%

of socially rented households have household income less than £15,000



£86.93

average weekly social rent



£194.31

average weekly private rent

Rent levels and income

Looking in more detail at the average rent for social rented households in Scotland in 2017/18, this varied from:

- £67.44/week for a 1-bedroom apartment,
- £73.33 for a 2-bedroom,
- £74.94 for a 3-bedroom,
- £81.37 for a 4-bedroom
- £90.39/week for a 5-bedroom apartment (CAD 2019, p81).

In the private rental sector, 1-4 bedroom properties cost:

- £117.69/week (1-bedroom),
- £150.46/week (2-bedroom,)
- £197.31/week (3-bedroom)
- £294.92/week (4-bedroom).

Only 3 out of 10 social rented households self-reported that they managed well financially in 2017, despite 59% of social rented households in Scotland received Housing Benefit in the same period. Housing Benefit, and Universal Credit which is replacing it, is aimed at supporting low income households to pay their rent – however, it's clear that income is a particular issue as even those with full rent payments covered within their benefit income, still struggle financially. Income, rather than rents, is the significant issue for many tenants.



Despite the focus of many efforts to tackle poverty being on rents, in the social housing sector they are deemed to be affordable by most, if not all, measures of affordability. Issues often arise for single person households and for families with children, which are most often a result of the overall cost of living - single people on low incomes could struggle to meet living costs alone, and for larger families the costs of living can easily outweigh additional income.

Rent levels and income

Housing associations also offer support to tenants with maximising their incomes.

Case study

Rural Stirling Housing Association

Through RSHA's income maximisation work tenants can receive advice about income support.

Most housing associations offer this free service, and it is considered vital in helping minimise financial stress – especially at a time of economic crisis, such as during the pandemic.

The total number of RSHA tenants who used this confidential service was 150 and remarkably, the total cash sum obtained was close to half a million pounds, at £486,607 between April 2019 and April 2020.



£486,607

obtained for tenants through
income maximisation service

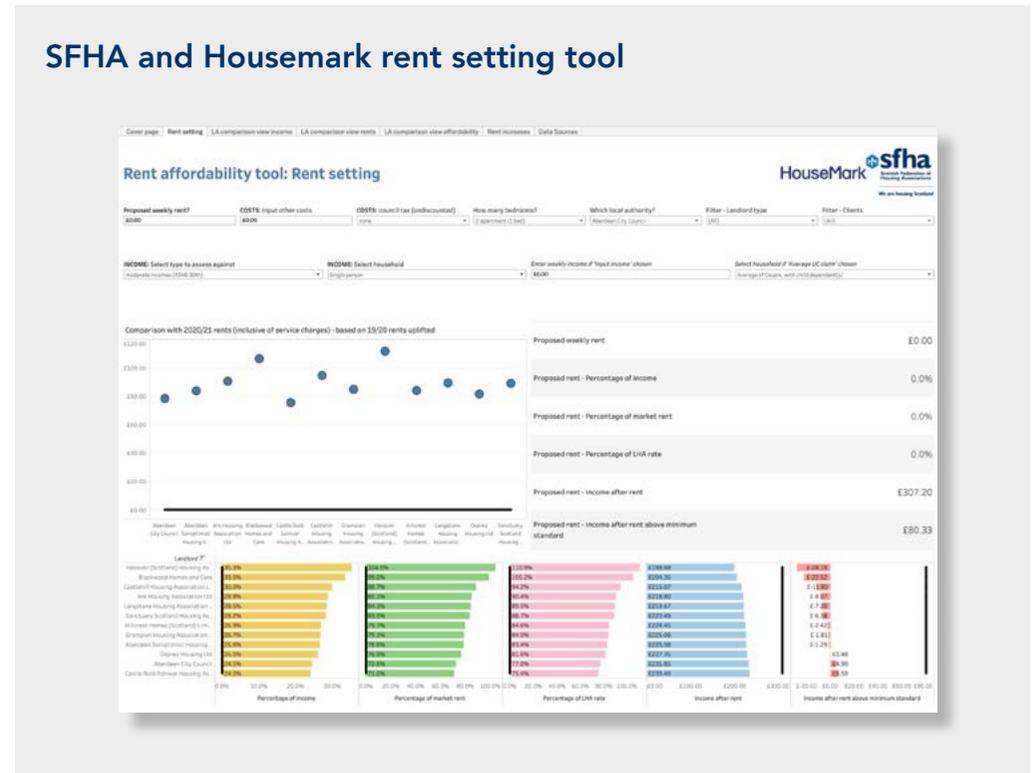
Rent levels and income

Further, to support associations with considering affordability when setting rents, SFHA and HouseMark Scotland provide a rent setting and affordability tool to members.

The tool calculates five affordability measures for a proposed rent. It also allows users to see how the rent and affordability measures compare to other social landlords in their area. A range of income types and household sizes can be used to test rents against. Household incomes are calculated using the evidence-based methods developed by the Joseph Rowntree Foundation.

Other costs such as council tax can also be included in the affordability calculations within the tool and the inclusion of average Universal Credit payments aims to help assess the impact of welfare reform on tenants and consider the impact of proposed rent increases in detail. Over 80% of SFHA members have used the tool since 2018 – that is 70% of all housing associations in Scotland.

SFHA and Housemark rent setting tool



Service charges

The cost of providing housing services has to be met by tenants, whether this is described as 'rent' or 'service charge'. Introducing service charges does not generate additional income. Allocating costs to 'rents' or to 'service charges' will have an effect on how much different tenants pay, but does not affect the overall income of the organisation. The regulator has been clear that a service charge should only be levied at the actual cost of the service being provided so that it cannot be a source of additional income to the organisation.



Service charges are charges added to the rent for services provided, such as stair-cleaning, maintaining gardens, lifts, building security, utility bills, heating and lighting of communal areas. Service charges usually include the charges for the service provided plus administration costs, and they are listed in tenancy agreements.

Services can be mandatory, such as lighting and maintenance of communal areas, and optional such as heating, hot water and lighting and water charges – which are often specific to individual homes. Mandatory services are usually considered as part of the rent, while optional or individual services are separate to the rent. Service charges are usually property specific.

Within our membership, practice varies considerably due to the different types of services provided. Some provide only landscaping, while others with district heating systems for example are more complex.

Housing Benefit covers part of the service charges, but not charges for heating, hot water, lighting, laundry or cooking. In Scotland, many landlords provide only service charges that are covered by Housing Benefit, such as communal heating. Most housing associations adopt a rent and service charges setting policy in line with the Scottish Housing Regulator performance standards for RSLs, in order to set affordable rents and service charges that enable them to maintain properties at high standards.

Tenant opinion on affordability may be different from that of the association. Even if combined rent plus service charge meets the affordability test, tenants may judge the affordability of the service charge in isolation – perhaps by comparison with other services (e.g. a firm advertising a cheaper stair cleaning service) or their own assessment of how the work should be done or how long it should take. Communication is key on this issue.

Consulting with tenants – and providing options

The Housing (Scotland) Act 2001 requires housing associations consult with tenants and take account of their views when making decisions about proposed rent increases. Section 25 of the Act allows housing associations to increase rents or other charges under a Scottish Secure Tenancy (SST) provided they give tenants four weeks' notice and that, prior to this notice being issued, they consult with tenants affected and take their views into account.

Affordability, quality of service and capital investment are the most important factors when it comes to whether tenants regard their rents as value for money. Involving tenants in the decision-making process and developing an understanding of the connection between rents charged and services delivered is vital.

Despite housing associations offering a variety of methods to encourage participation, tenant engagement has scope to increase when it comes to rent setting consultation. There are many reasons some tenants choose not to get involved in consultations, many see it as a foregone conclusion, others admit they are less interested as their rent is covered by benefits and some do not support the methods of communication used. However, with consultation often taking the form of face-to-face discussions in previous years, the current restrictions as a result of COVID-19, has meant an entirely online, paper-based or telephone consultation and many associations have noted an increase in engagement. There will be lessons to learn for future consultations which the sector hopes will mean a sustained increase in engagement from tenants.

And some associations have also provided information to frontline staff which summarises the position and can be used as the basis for informal conversations with tenants whilst engaging over perhaps a repair or a request for support. This might outline the reasons an increase is

Some of the methods being used by members for the 2021/22 rent year include: :



- Letters
- Phone calls
- Text messages/WhatsApp
- Zoom meetings
- Online surveys
- Social media
- Tenant Scrutiny Panels (virtually)
- Emails

required, what the impact of no increase might be – and in some cases it might be an explanation as to why a one-year freeze is possible given the specific circumstances of the organisation.

When it comes to providing options, the regulator states 'meaningful' options should be offered to tenants during a rent consultation.

In order for many associations to offer 'meaningful' options, the levels of increase would require to be wide ranging. For some an additional 1% increase adds just a few thousand pounds to its total rental income for the year; thus additional service offering would be very minimal and as a result tenants do not support the additional increase. In the majority of cases where options are offered, the lowest level of increase is favoured by tenants.

Other associations do always offer options. The circumstances are specific to each individual organisation, its tenants and communities. A one-size-fits-all approach is not appropriate given the wide range of circumstances and conditions on the parts of both housing associations and their tenants.

The Scottish Housing Regulator position on rents

Standard 3 in the SHR Standards of Governance and Financial Management for RSLs states: 'The RSL manages its resources to ensure its financial well-being, while maintaining rents at a level that tenants can afford to pay'.

In its recent business planning guidance, on rent affordability SHR also stated:

There is an important relationship between rents, rent setting and VFM. RSLs should consider tenants' ability to keep paying their rent over the longer term when deciding levels of rent increases and they should be clear on what is affordable for tenants and consider future affordability when determining annual rent increases; demonstrate transparency on costs and a vigorous pursuit of VFM; wherever possible give tenants genuine options and choices during rent consultations; engage in dialogue with tenants about costs versus service levels; and be clear on how tenants' views are taken into account.



3.7%

average rent
increase year to
April 2019

3%

average rent
increase year to
April 2020

SHR has been vocal on rents in recent years and last year was particularly critical of the average increase of 3.7% across the country. This year (April 2020) the average was 3%, an indication that the issue of rent affordability is taken seriously by the sector.

As mentioned previously, the increase is likely to be less again next year as associations carefully consider affordability in light of the pandemic.

Alternative sources of income and collaboration

Creating social enterprises is increasingly a way for housing associations to raise their income, make efficiencies and provide for their communities. However, more support from government in setting these up is a regular ask of our members, especially in identifying the need and right business model for them to be successful.

While housing associations understand why the Scottish Housing Regulator is closely monitoring the setting up of social enterprises, concern has been expressed about how this can deter them from pursuing the model. This works against the emphasis of Scottish Government on innovation and new ways of thinking, which has increased as a result of the current crisis.

Currently, in a bid to bring in additional income to help minimise rent increases and provide more and better services for communities, many housing associations have profit making subsidiary companies which then feed profits back into the parent RSL. Services offered by SFHA members through subsidiaries at the moment include: factoring services, student accommodation, mid-market rent, low cost home ownership, operating a windfarm, running community halls, designing living and work spaces for people with disabilities, running nurseries, operating a stables, recycling and selling on furniture and white goods, delivering repair and maintenance services, running cafes, selling services to other associations, running business parks, managing for-hire storage units and even running the local Post Office. Another association is taking part in a battery storage pilot to complement solar PVs.

Costs are rising across the board, so associations exploring other innovative streams of income to bring in more funds and minimise rent increases. Support with innovation during the next housing programme

Subsidiary services include:

- factoring
- student accommodation
- mid-market rent
- low cost home ownership
- windfarm
- community halls
- designing spaces for people with disabilities
- nurseries
- stables
- furniture recycling and sales
- repairs and maintenance
- cafes
- corporate services
- business parks
- storage units
- running a Post Office.
- battery storage pilot

for 2021/26 could see more schemes like these which can cut costs and support communities. There is clearly already ability and willingness within the sector to deliver.

As well as these innovative projects, many housing associations are also seeing cost benefits through collaboration. To provide safe, warm, affordable and adaptable homes for everyone who needs one requires government action to set building and housing standards to achieve the ambition and to play a role in co-ordinating how housing associations can work together to maximise economies of scale. There are already a number of excellent examples of regional collaborations such as FLAIR in Renfrewshire and ARCHIE in Edinburgh as well as shared services and even shared CEOs elsewhere. Collaboration as a means of delivery is not well recognised and the Scottish Government has a role to play in promoting this – alongside SFHA.

Case study

Berwickshire Housing Association

The Hoprigshiels community windfarm – which was named ‘Fishermen Three’ to reflect the fishing heritage of the nearby villages of Cockburnspath and Cove – is located near Cockburnspath in the Scottish Borders and is a joint venture between Berwickshire Housing Association (BHA) and Community Energy Scotland.

By supplying energy to the National Grid, the wind farm will create revenue for BHA of around £20 million over the next 25 years – enough to allow it to build 500 new homes over that period.

Community Energy Scotland’s £10 million share of the revenue will enable it to support communities across the country to develop and benefit from renewable energy projects and play a crucial part in building a greener energy system.



£20million

in revenue will be
generated over 25 years

Discussions on planned rent increases 2021/22

SFHA has engaged extensively with its membership regarding their plans for rents for the financial year starting April 2021.

A survey of over 60 SFHA members to collect information on the proposed increase for 2021 and any options being offered is ongoing. So far responses indicate considerations include:

- a one-year freeze,
- less than 1%,
- 2%,
- 3%,
- 3% assuming CPI is at 1.5%,
- CPI only and
- CPI +1%.

The most common response was CPI only. As of October 2020, CPI is at 0.7%.

Most advise their level of increase will be as low as possible and a reduction on what would likely have been proposed if it had not been for the pandemic.

Although some associations are considering a one-year freeze, SFHA is keen to stress this is not an option for all associations. It's important to understand the reasoning behind such decisions. One member informed us its long-term debt is due to be paid off in the coming months, so as a result the association is able to offer a freeze for one-year without an impact on services and planned works. Others have taken the decision to delay some projects by a year in order to protect tenant income as much as possible at this time.



Implications of rent freezes or reduced increases

Members advise that lower increases or rent freezes can have significant impacts over a long period of time.

Although spending has been reduced this year due to lengthy delays to development, planned maintenance and non-urgent repairs, the funds originally allocated will still be used for the same purposes at a later date. Members also inform SFHA that as a result of delays and restrictions, some contractors have increased their pricing, and in order to catch up on work delayed due to the pandemic, it will often cost more than had been budgeted for.

Other costs are also increasing for housing associations. The National Living Wage will rise by 2.2% on 1 April from £8.72 to £8.91 and RICS are forecasting construction and repairs costs will rise over 4% next year.



Picture: River Clyde Homes



4%
increase in construction
and repairs costs forecast



**Rise in National Living Wage
by 2.2% from £8.72 to £8.91**

Implications of rent freezes or reduced increases

Investment in stock and development

Some associations considering a freeze advise it will see a one-year delay to their development programme as well as reductions in planned maintenance. This adds to delays with planned maintenance where tenants remain unhappy to have contractors in their homes.

However, the implications go beyond a year for many associations. For some, reductions in planned increases would mean millions of pounds of reduced income over a few years at a time when there are ongoing requirements such as new fire safety measures and meeting EESSH2 objectives. It is increasingly difficult for associations to meet the costs of new requirements while limiting rent increases. During the financial crash of 2008/9, many associations reduced increases or implemented rent freezes. This resulted in higher increases later to fund investment in stock and development.

Where associations have already committed to develop, contracts and borrowing are in place which would prove very costly to undo. Any reduction in rental income would then see existing stock suffer and leave the sector in a position where tenants are paying to support the development of new homes, while their own homes are adversely affected by reduced investment.

Concerns have also been raised about the future viability of contractors who deliver much of the development and maintenance programmes. If plans are scaled back to accommodate a reduced rent increase, will there be capacity within these sectors down the line when programmes pick up? There is also likely to be an impact on supply chain jobs.

Covenants

There are also loan covenants to consider. Any breach would likely prove very costly. Fortunately, due to lenders faith in the social housing sector in Scotland, many have offered support to associations in terms of flexibility with covenants in light of the current situation. However, SFHA members are taking a cautious approach as flexibility cannot be guaranteed in the future so long-term implications must be considered now.

Tenancy sustainment and community investment

All associations provide tenancy sustainment services as part of their broader social and economic support work. Members tell us it's a service that is vital to keeping people in their homes and tackling homelessness, but as it's not a requirement to offer such support to tenants, it's an area which could be hardest hit if income was reduced.

Digital transformation

Other areas which would see delays include digital transformation agendas. Although a large investment, such transformations reduce costs in the longer-term and improve value for money. The Scottish Housing Regulator pays close attention to value for money, so there needs to be an understanding that upfront investment is often required before savings can be delivered.

Case study

Almond Housing Association

Tenancy sustainment has been at the forefront of the work of RSLs during the pandemic.

A number of associations, such as Almond, have dedicated tenancy sustainment and welfare benefits staff. Tenants can access the service by contacting their housing officer and requesting a referral.

The association has also worked with 'community fridge' organisations who Almond provided with a years' funding from the proceeds of a community soup event. The association has also used funds to donate essentials, such as nappies, toiletries and food items for the community fridges. The Community Soup Event also supported West Lothian Food Train to purchase resources for its shopping service and newly launched Eat Well Buddy Service. Volunteers were working through the outbreak to shop for vulnerable and elderly residents.

Funding was also made available through an Urgent Assistance Fund. Tenants who are experiencing extreme hardship, and have a child under the age of 21, may be eligible to apply.



Clarity sought from Scottish Government

As rent is a substantial component of costs of living, there are two specific actions mentioned in the Scottish Government Child Poverty Delivery Plan 2018-2022: 'to ensure that future affordable housing supply decisions support our objective to achieve a real and sustained impact on child poverty' and 'to work with the social housing sector in 2018 to agree the best ways to keep rents affordable' (Scottish Government 2018).

However, there remains a lack of clarity on a number of areas which relate to rents and affordability and SFHA is seeking to establish the following:

- SFHA is keen to continue to engage with government in relation to its interests and intentions when it comes to rents and affordability. We note in Housing to 2040 the government has stated new standards for homes should be balanced with the need to keep rents affordable. We welcome the opportunity to discuss how this will work in practice.
- SFHA also notes with interest the intentions set out in Housing to 2040 for the publication of a Rented Sector Strategy which will be informed by tenants, and also a new Housing Bill early in the next Parliament. SFHA and our members look forward to engaging in the process for both areas of work and we hope this paper outlines the sector position and is useful ahead of work beginning on these projects.

- SFHA and sector partners had a number of useful meetings with government officials to discuss rents and affordability before the pandemic. We would be keen to see these meetings re-established. Scottish government officials referred to rents being set based on types of tenant at previous meetings, however, housing organisation rents are set based on the attributes of a property and not those who will live in it. In light of the strategy for housing for the next 20 years being published, it would be useful to have discussions about what it means in practical, service, fairness and human rights terms.
- SFHA has indicated in the past there have been gaps in joined up thinking across government departments which have resulted in a lack of awareness of the cumulative effect of new requirements placed on social landlords. We hope the paper we have produced as part of the ongoing subsidy review is useful in highlighting these. One reason for rent increases in recent years has been the additional, unfunded requirements on social landlords which can only be paid for through rents. We are willing to engage with government further to discuss how landlords can focus on efficiency and value for money to minimise passing costs on to tenants.

Conclusion and next steps

This paper sets the scene on the current state-of-play on rent setting and affordability in the RSL sector in Scotland. In doing so, it aims to enrich and extend the understanding between and dialogue with Scottish Government. The aspiration is that we work together on rent setting and affordability to ensure that all those who need a warm, safe and affordable home, now and in the future, have one and are supported by strong, resilient housing associations to live there.

We look forward to further discussions to achieve this.

For further information, please contact
Shona Mitchell smitchell@sfha.co.uk

Rent setting and affordability during the coronavirus pandemic and beyond

Summary paper for stakeholders

Spring 2021

For further information or support from SFHA contact

Shona Mitchell, Public Affairs Manager, smitchell@sfha.co.uk

www.sfha.co.uk

sfha
Scottish Federation of
Housing Associations

We are housing Scotland

Energy Efficiency Standard for Social Housing 2032 (ESSH2)

Research and modelling for the Scottish Federation
of Housing Associations (SFHA)

Executive Summary

May 2021



Changeworks
36 Newhaven Road
Edinburgh EH6 5PY

0131 555 4010
consultancy@changeworks.org.uk
changeworks.org.uk

Report	<p>Energy Efficiency Standard for Social Housing 2032 (ESSH2)</p> <p>Research for the Scottish Federation of Housing Associations (SFHA) – Executive Summary</p>
Main contact	<p>Stacey Dingwall</p> <p>Senior Policy Manager</p> <p>Scottish Federation of Housing Associations</p> <p>T: 0141 567 6236</p> <p>E: sdingwall@sfha.co.uk</p>
Report authors	<p>Katy Syme, Senior Researcher</p> <p>Gary Pearson, Surveyor and Data Analyst</p> <p>Freya Burns, Senior Researcher</p> <p>Isabella Impesi, Senior Researcher</p>
Issued by	<p>Marjan van de Weg</p> <p>Senior Data Consultant</p> <p>Changeworks</p> <p>T: 0131 539 8579</p> <p>E: mvandeweg@changeworks.org.uk</p> <p>Changeworks Resources for Life Ltd</p> <p>Charity Registered in Scotland (SCO15144)</p> <p>Company Number (SC103904)</p> <p>VAT Registration Number (927106435)</p>
Approved by	<p>Ian Smith</p> <p>Head of Consultancy</p> <p>Changeworks</p> <p>T: 0131 538 7949</p> <p>E: ismith@changeworks.org.uk</p>

Executive Summary

The Energy Efficiency Standard for Social Housing (ESSH) was created to help remove poor energy efficiency as a driver for fuel poverty and contribute to achieving the Scottish Government's ambitious climate change emissions reductions targets. ESSH had a minimum rating milestone and target date of 31 December 2020 and its successor (ESSH2) has the equivalent 2032 date.

This report combines the results of a survey and interviews among members of the Scottish Federation of Housing Associations (SFHA) on ESSH and ESSH2, and a quantitative ESSH2 analysis of Scotland's housing association stock based on data from the Scottish House Condition Survey. Both the SFHA member research and the housing stock analysis inform each other, although they can be read as standalone reports as well.

A previous study on the first phase of ESSH was carried out by Changeworks in conjunction with SFHA in 2017¹.

ESSH2 survey

Changeworks was commissioned by the SFHA to gather feedback from member organisations about the Energy Efficiency Standard for Social Housing (ESSH and ESSH2). A survey was designed and circulated to members, remaining open for responses for around six weeks.

In total, 55 SFHA members responded to the survey (of 141 members, 39%). Of those that provided data, the largest group were urban-based (77%). Only three respondents were 'national' organisations, and while many cover more than one local authority area, 68% only have properties in one local authority. All but one local authority was covered by the organisations who responded to the survey. Organisations ranged in size from 185 properties to 7,293 properties.

Only a small proportion (16%) said their properties would comply with ESSH by the December 2020 deadline; a large number (89%) had temporary exemptions in place.

Just less than half of organisations had begun work to make their properties meet ESSH2 (49%); yet only 37% have a plan in place to meet ESSH2. Most organisations (65%) said their plans would take more than ten years to implement; two said their upgrades would not be complete by the 2032 deadline. The majority of respondents (65%) said that between 1% and 25% of their stock currently meet ESSH2.

¹ [ESSH Compliance Survey: Research into Housing Associations' compliance with ESSH \(Changeworks 2017\)](#)

Almost three-quarters of respondents said they would need external support to meet EESSH2. The most common external support request was for funding application support (87%). The most challenging aspects of EESSH2 were also related to funding. Almost 80% respondents found sourcing funding for measures and also capital investment for measures either 'very challenging' or 'extremely challenging'; 47% of organisations found these aspects 'extremely challenging'. Funding upgrades were identified as the greatest challenge to meeting EESSH2 by three-quarters of respondents.

The second greatest challenge (as noted by 26% of organisations) was upgrading specific property types. Noted property types include Victorian or sandstone tenements, pre-1919 or older properties, off-gas properties, mixed-tenure properties and those with restrictions on upgrades (listed, conservation areas, World Heritage sites).

The air quality and environmental impact of EESSH2 upgrade measures will be included as part of a review of the standard in 2023. Around a third of organisations had already considered the air quality implications of measures, including additional ventilation and engagement with tenants. A greater proportion of organisations (44%) were considering the environmental impact of their upgrades, including reducing carbon emissions of heating, using renewable technologies, and reviewing material specifications.

More than half of respondents (58%) said they had concerns about maintenance of measures installed under EESSH or EESSH2. Key concerns included a lack of skilled and locally available contractors and the cost of maintenance. However, most (83%) did not have safety concerns about the upgrade measures being installed.

COVID-19 has impacted on EESSH and EESSH2 plans and progress for many organisations. The most common impact was a delay to timescales, with many adding that the delays were impacting on future plans. Delays were due to many factors including being unable to access properties to install measures, to survey, or to produce EPCs. Only 14% of organisations said that COVID-19 had not caused too much disruption and only 5% said the pandemic had no impact at all on EESSH / EESSH2.

Follow-up interviews

Follow-up interviews were conducted with 11 survey respondents to explore survey findings in more detail. The interview participants represent a range of large and small housing associations with properties across rural, urban and island areas in Scotland.

Interview participants described the preparatory work their organisations are doing for EESSH2 in order to get a full understanding of their housing stock and the measures required to bring them up to standard. The majority of interviewees

explained that their organisations had not yet installed any measures to work towards meeting EESSH2.

In some cases, participants said they are waiting for more certainty from the Scottish Government before starting to install measures. Participants stated they require clarification on issues such as grid constraints, the hydrogen roll out and whether EESSH2 targets are aspirational or mandatory. Participants expressed a concern that the use of EPC ratings for EESSH2 does not align with the goal of decarbonisation.

Interviewees described the factors driving their approach towards EESSH2 and how they intend to prioritise properties. These included EPC ratings, high energy prices and targeting hard-to-treat properties. All participants are using stock data to drive their approach. However, the interviews revealed that the data which organisations hold on their housing stock varies considerably in quality.

Interviewees shared frustrations around the competing priorities of higher SAP scores and providing affordable warmth for tenants. Some questioned the financial investment required to achieve higher SAP scores if these measures do not provide benefits for tenants.

Interview participants gave more detail on the types of financial support that they require. A key theme was ensuring that the funding available from Scottish Government is aligned with the end goal of decarbonisation and doesn't encourage the installation of measures which will later need to be replaced. Additionally, participants noted that the funding landscape is complex and that funding bids require a lot of detailed information.

Air quality was raised by several interviewees as something which they are giving serious consideration to. However, participants stated that they require more guidance from Scottish Government around how air quality will be measured and defining the goals for compliance.

All interview participants were aware of the Scottish Government's 2045 net zero target. None of the 11 organisations have a target or strategy to become carbon neutral.

EESSH2 modelling analysis

Changeworks carried out EESSH2 modelling across the entire Scottish housing association stock based on Scottish Housing Condition Survey data on a representative sample of housing association properties.

The average EE rating across all 282,000 housing associations properties in this analysis is 71, which is equivalent to a 'low' EE band C. This is higher than the average score of 65 across all properties in Scotland. Most of the housing association stock has an EE band C (61%). Almost one-third (31%) are in the lower

bands of D to F, whilst an extremely low number (42 properties) have an EE band G (the lowest band).

20,926 properties (7%) currently reach the EE rating of 81, which is the aspirational target for EESSH2. Of the 261,074 properties that currently do not meet the standard, 45% are estimated to meet EESSH2 using the packages of fabric, heating and solar measures that have been modelled in this analysis. Installing all the applicable modelled improvements would increase the overall rate of meeting EE band B from 7% to 41%.

To increase the energy efficiency of the stock and to work towards meeting EESSH2, the following measures would be required for the properties that currently do not meet the standard. Each measure is accompanied by a figure for the number of applicable properties and represented as a percentage of overall properties currently do not meet the standard:

- Low energy lighting (146k properties/ 56% of properties that do not currently meet EESSH2)
- Loft and roof insulation (61k properties/ 23%)
- Wall insulation measures (56k properties/ 21%)
- High efficiency glazing (128k properties/ 49%)
- Floor insulation measures (92k properties/ 35%)
- Hot water tank insulation (2k properties/ 1%)
- Central heating control upgrades (60k properties/ 23%)
- Boiler upgrades (45k properties/ 17%)
- Air source heat pumps (16k properties/ 6%)
- High heat retention heaters (27k properties/ 10%)
- Solar thermal (15k properties/ 6%)
- Solar PV (53k properties/ 20%)

At least one measure would be required for 254,610 properties, whereas for 6,464 properties no applicable measures could be assigned (2% of properties currently not meeting EESSH2). Over two-fifths of the properties that still do not meet EE band B (67,625 properties) are within 3 SAP points from meeting this aspirational target, and may in some circumstances be 'treated as meeting EESSH2'.

Estimated costs

If all the identified measures were installed, it is estimated to cost **£2bn**. Lighting and fabric measures account for over two-thirds of these costs. The average cost per property requiring measures to reach or work towards EESSH2 is **£7,661**.

Estimated carbon savings

The average estimated CO₂ emissions per property is 4.4 tonnes per year. This is less than the average across all properties in Scotland of 6.8 tonnes per household. The overall annual CO₂ emissions across all housing association stock is estimated

to be 1,248,764 tonnes per year. If all the measures identified in this analysis were installed, an estimated 303,522 tonnes of CO₂ would be saved annually (1.2 tonnes per household requiring at least one measure), accounting for around one-quarter of the overall estimated emissions.

Estimated running costs savings

The average estimated annual running costs across all properties is **£1,231** per year. This is less than the average across all properties in Scotland of £1,710 per household. If all the measures identified in this analysis were installed, an estimated **£279** would be saved annually per household requiring at least one measure, a 22% reduction in running costs for properties requiring at least one measure.

Fuel poverty

It is estimated that just over 108k households are currently in fuel poverty (38% of the housing association stock). If all measures were installed, this would decrease to 82k (29% of the households living in housing association housing stock).



Contact us

Get in touch to discuss how we could help you.

Changeworks
36 Newhaven
Road Edinburgh
EH6 5PY

Call 0131 555 4010

Email consultancy@changeworks.org.uk

Visit changeworks.org.uk

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Newhaven Road, Edinburgh EH6 5PY



Social Housing Net Zero Heat Fund Overview

Introduction

The type of heating used in over 2 million homes and 100,000 non-domestic buildings must be changed by 2045 and we estimate that around 50% of homes, or over 1 million households will need to convert to low or zero emissions heating systems by 2030. Twenty-four percent of Scotland's domestic dwellings are social housing.

In the second half of 2020, we launched the Social Housing Net Zero Heat Fund, to support social housing landlords across Scotland to take forward projects to deploy zero emissions heat, improve energy efficiency, and reduce fuel poverty. The draft Heat in Buildings Strategy has proposed to extend the fund over the next five years with a £20 million annual budget with a total value of £100 million over the next parliament. We are committed to working with the sector to assess the impact of funding to date and ensure that our funding effectively supports further acceleration of the decarbonisation of our housing stock.

The Social Housing Net Zero Heat Fund is a capital grant fund that has been designed to accelerate the delivery of energy efficient, zero emission heat provision to social housing projects across Scotland and to support projects that can effectively contribute towards the achievement of the Scottish Government's ambitions for Scotland to achieve net zero emissions by 2045. The fund supports projects that can accelerate the deployment of zero emission heat in existing social housing, particularly through the installation and/or use of heat pumps. In its first year of the Social Housing Net Zero Heat fund we have offered grant support to 10 social housing zero emission heat projects across Scotland.

Social Housing Fund 2021/22

Through our draft Heat in Buildings Strategy we are committed to expanding our domestic energy efficiency programmes to support more households to eliminate poor energy efficiency as a driver of fuel poverty and accelerate the deployment of zero emission heat across Scotland's social housing stock. We will be launching a further round of the Social Housing Net Zero Heat fund this summer, it will target an investment of £20 million for zero emission heat projects to social housing that are focusing on delivering zero emission heat solutions within their housing stock alongside energy efficiency works. We would like to seek your views offering this funding on a multi-year basis while retaining the need for funding deadlines for delivery and commissioning.

The Social Housing Net Zero Heat fund has also received an enhanced budget of £10 million this financial year to projects seeking to carry out energy efficiency only projects which demonstrate they are taking a "fabric-first" approach with the intention of installing zero emission heating systems technologies in following years. The deadline for energy efficiency only projects being delivered is 31 January 2022.

Applications are welcome from zero emission heating projects within social housing projects that will be delivered in Scotland, with a project location, proof of technology concept and an end user for output identified and secured at time of submitting an application. Applications from Registered Social Landlords, Local Authorities and ESCOs will be considered.

The Social Housing Net Zero Heat Fund is an outcomes and results driven investment programme with projects required to meet the following criteria:

- the potential to deliver a significant reduction of greenhouse gas emissions (MtCO₂e) and energy consumption

- the ability to secure other sources of funding/finance that make a minimum of 50% contribution towards the cost of final delivery costs of the project
- the potential to have a positive and significant social impact on Scotland
- the ability to deliver zero emission heat that can provide savings for social housing tenants
- the provision of a clear set out case for the requirement of and added value from grant support.

The following technologies are eligible for funding:

- Air Source Heat Pumps
- Ground Source Heat Pumps
- Water Source Heat Pumps
- Connection to existing heat networks
- Biomass boilers (where appropriate)

The following technologies will be considered in conjunction with zero emission heating solutions:

- Solar Panels;
- Battery Storage;
- Thermal Storage;

We have taken on board feedback provided from the first year of the fund and we are changing how the fund is run. Once launched the fund will remain open throughout the year, with quarterly application review stages. A quarterly report will be issued to Social Housing providers to outline budget availability.

Strategic Plan

Discussions with ZEST have highlighted the technical, commercial and consumer affordability challenges associated with installing zero emission heating systems across their social housing stock. We have therefore identified the need a tailored approach that will set out a long-term plan for decarbonising social housing. We propose to procure external support to work with the Social Housing sector to develop a strategic approach to heat and energy efficiency planning and delivery, to:

- Develop a high-level assessment of the scale of transition for energy efficiency and zero emission heating across the social housing sector stock
- Develop a strategic pipeline of priority energy efficiency and zero emission heating projects in the Social Housing Sector that can feasibly be delivered in the next five years. This will consider the technical and financial feasibility of projects and consumer cost effectiveness
- Present a strategic view of the extent to which the Social Housing Sector can contribute to progress against Scotland's statutory emissions reduction targets and the ambitions of the heat in buildings strategy. This will detail a potential trajectory for conversion of the existing social housing stock to zero emission heating
- Present an analysis of where progress in the sector is currently limited/constrained and identify what these barriers. This will also provide a forward looking analysis of planned/proposed policy changes at a Scottish and UK level, which may have an impact on the sector.
- Present a sensitivity analysis, considering what opportunities for further projects might be unlocked by planned/proposed policy changes.

Once completed this strategic plan will provide a strong basis for social housing providers to pin-point targeted intervention and early, low-regrets measures. The outputs from this strategic plan will help to inform the future delivery of the Social Housing Net Zero Heat Fund and our wider support for decarbonising heat in social housing.

Project Support Unit Development

We are proposing to create a Social Housing Net Zero Project Support Unit which will support social housing providers to deliver energy efficiency and zero carbon projects within their housing stock. This support will include technical support and expertise, business case development, project management, measurement and verification and procurement support. We will be seeking your views on the support that is required to support the delivery of zero emission heat projects.

Team Leader Low Carbon Infrastructure Transition Programme

Summary of financial support schemes for landlords, householders and businesses installing renewables and energy efficiency measures- 20 May 2021

The table below shows national schemes that have been providing grant and/or loan support for various energy efficiency, heating and renewable measures and which can support efforts to progress towards EESSH targets. The table includes funding schemes available to all tenures and ones that are available in various of the social or private tenures. Schemes that serve private sector properties only may still be relevant to programmes aimed at delivering EESSH targets as a result of the:

- Need to deliver measures to “blocking” owners, ensuring that works in neighbouring social housing can proceed
- Impact of installation of measures on estate appearance and regeneration activity
- Potential to achieve economies of scale by including private sector properties in social housing programmes.

Funding schemes that can potentially support measures in all social housing tenures have been highlighted in red and ones only available for Registered Social Landlord (RSL) properties have been highlighted in orange. Some of the funding schemes listed may be closed to new applications, but are listed here to confirm their present status.

National schemes can be subject to change at short notice. There are also local schemes which can appear on an ad hoc basis. The introduction of the Scottish Government’s Energy Efficient Scotland scheme in 2018 is leading to changes in the design and emphasis of Scottish Government funding schemes and the Energy Company Obligation, transitioned to a new phase in October 2018 and will be concentrating on supporting fuel poor households.

Home Energy Scotland (HES) can advise social housing providers on the range of funding schemes that can support EESSH related programmes.

Availability and delivery of some schemes may be affected by the response to the current COVID 19 crisis.

Scheme name	Measures supported	Sectors supported	Description	Funder	Managed by:	End date/status	Match funding restrictions
Energy Company Obligation	Insulation, district heating connection, renewables, heating installation and repair.	Lower income and vulnerable to cold domestic owner occupiers, private sector tenants and social tenants, depending on eligibility criteria	<p>Grant/subsidy scheme providing (subject to eligibility), insulation and heating measures for:</p> <ul style="list-style-type: none"> Private sector households in an Affordable Warmth Group (AWG) of benefit and tax credit recipients (some restrictions on access to heating measures in private rented households) Social housing tenants in properties with lodged EPC ratings of E, F or G (some restrictions on access to heating measures in social housing compared to private sector households) Non-fuel poor private sector households (for solid wall insulation and district heating) in properties where 66% of adjacent households are eligible Private sector households declared eligible by a local authority, where it has published criteria for a “flexible eligibility scheme”, on grounds of being: <ul style="list-style-type: none"> Fuel poor (FP) Low income and vulnerable to living in a cold home (LIVC) Non-fuel poor for solid wall insulation but where there is an adjacent property that is declared either FP or LIVC (50:50 basis). <p>There is also be an innovation stream, which will allow energy suppliers to support some innovative measures, for eligible households, which also includes EPC D rated social housing.</p> <p>https://www.ofgem.gov.uk/publications-and-updates/energy-company-obligation-2018-22-eco3-guidance-delivery-draft-comment</p>	Obligated energy suppliers	Ofgem through Energy suppliers and their partners.	From 1 st October 2018 to 31 st March 2022.	There can be limitations on using ECO funding alongside UK government funded initiatives or where the energy supplier funding is not deemed by Ofgem to be the cause of the measure being installed. ECO cannot be mixed with RHI except when ground source heat pumps are being installed.

Scheme name	Measures supported	Sectors supported	Description	Funder	Managed by:	End date/status	Match funding restrictions
<p>Scottish Energy Efficiency Programmes (SEEP) pilots.</p>	<p>Community heating/energy efficiency /renewables</p>	<p>Domestic and non-domestic sectors with some pathfinder pilots managed by local authorities.</p>	<p>SEEP has been superseded by the Energy Efficient Scotland programme which will provide an offer of support to all buildings in Scotland – domestic and non-domestic – to improve their energy efficiency rating. Pathfinder pilots were implemented before 2018.</p> <p>http://www.gov.scot/Topics/Business-Industry/Energy/Action/lowcarbon/LCITP/SEEP</p>	<p>Scottish Government</p>	<p>Pathfinder pilots managed by Local authorities and third sector organisations.</p>	<p>Pilot schemes launched with first phase projects completing by December 2017 and second phase by February 2019.</p> <p>Closed for new applications.</p>	<p>Programme dependent.</p>

Scheme name	Measures supported	Sectors supported	Description	Funder	Managed by:	End date/status	Match funding restrictions
Energy Efficient Scotland transition- self funder programme.	A new programme transitioning from the SEEP programme covering a range of heating, renewable and energy efficiency measures.	Private sector households and non-domestic buildings.	The Energy Efficient Scotland programme builds on existing legislation and programmes that are already supporting the improvement of the energy efficiency of homes, businesses and public buildings, as well as the work the Scottish Government is doing with local authorities to develop Local Heat and Energy Efficiency Strategies (LHEES). In 2018, LAs were invited to apply to operate “self-funder” schemes, which supported development and delivery of a ‘hand-holding’ service for domestic and domestic property owners that are able to pay for measures. These schemes are likely to be delivered in identified areas, with owners being directed to loan and grant funding support, with the assistance of Home Energy Scotland and partner contractors procured for the schemes. https://www.gov.scot/publications/energy-efficient-scotland-transition-programme-application-forms/	Scottish Government	Local authorities and third sector organisations	Bid process for LAs closed on 20 th July 2018, projects should be delivered by December 2019 and all grant must be drawn down by 28 Feb 2020.	Private sector households and non-domestic buildings

Scheme name	Measures supported	Sectors supported	Description	Funder	Managed by:	End date/status	Match funding restrictions
Energy Efficient Scotland transition- Decarbonisation Fund	Funding will be for energy efficiency measures (e.g. internal works, insulation) within projects that include decarbonisation activity (e.g. ground source heat pumps, air source heat pumps, biomass, solar PV and storage etc) and the conversion of properties from e.g. oil to these technologies.	Social Rented Households	The Scottish Government invited social landlords to submit Expressions of Interest to deliver energy efficiency and heat decarbonisation programmes within their existing stock. Social landlords should consider blending the funding to join up their own proposals and investments for energy efficiency with decarbonisation activity. Grant funding cannot be used to install heat technologies that are eligible for the Renewable Heat Incentive (RHI). Scottish Government funding was used to support energy efficiency measures as well as work to support deployment and use of renewable technologies. Proposals for any innovative activity or technologies will also be considered favourably. https://www.gov.scot/publications/decarbonisation-fund-application-form/	Scottish Government	Registered Social Landlords	Bid process for phase 2 closed for applications on 25th August 2019 Proposed activities must be completed and functional by 28 Feb 2021, with all relevant Scottish Government financial support claimed by 31 March 2021. There is no confirmation of a third phase.	Programme dependent

Scheme name	Measures supported	Sectors supported	Description	Funder	Managed by:	End date/status	Match funding restrictions
Energy Efficient Scotland: Area Based Scheme (ABS)	Energy efficiency (Targets solid wall and cavity wall and roof insulation measures but may support other measures and can include low carbon emitting heating and renewables, as special projects, where agreed between the LA and Scottish Government).	Domestic owner occupiers and private renting tenants and private landlords where the landlord owns three properties or less.	Area Based Schemes delivered by local authorities and prioritising fuel poor areas aiming to cover the whole of Scotland in around 10 years. Grants, in 2018/19, of up to £7,000 for flats, £7,500 for mid and end terrace and £8,000 for detached and semi-detached, available to each household (up to £10,000 in eligible remote rural and island areas). Local authorities are able to provide higher level grants for works to those in extreme fuel poverty of £12,000 (up to £14,000 in remote rural areas) Measures are supported through ECO as well, where possible. Landlord contributions may be required, where the landlord or tenants do not meet fuel poverty criteria. https://www.gov.scot/policies/home-energy-and-fuel-poverty/energy-saving-home-improvements/	Scottish Government	Scottish Local authorities (often route enquiries through Home Energy Scotland)	Currently open	The restriction in households receiving Warmer Homes Scotland support after receiving ABS support has been removed. There may be some restrictions on mixing UK government funding schemes, such as RHI, alongside ABS. Does not allow access to other parts of the HES loan scheme, such as cashback, for ABS funded measures.

Scheme name	Measures supported	Sectors supported	Description	Funder	Managed by:	End date/status	Match funding restrictions
Energy Efficient Scotland: Warmer Homes Scotland	Energy efficiency, heating and Renewable measures (subject to survey). Heating measures not available in private rented properties	Domestic owner occupiers and private renting tenants	Installation of energy efficiency measures and heating systems, including in some cases renewables measures, to help alleviate fuel poverty. Also includes energy advice, benefits checks and tariff support to all tenures. https://www.homeenergyscotland.org/find-funding-grants-and-loans/warmer-homes-scotland/	Scottish Government	Warmworks for measure installs Energy Saving Trust/ Home Energy Scotland for enquiries and referrals		There are no longer restrictions to accessing Warmer Homes Scotland funding for households previously having received Energy Efficient Scotland Area Based Funding. Does not operate alongside cashback element of the HES loan scheme.

Scheme name	Measures supported	Sectors supported	Description	Funder	Managed by:	End date/status	Match funding restrictions
Home Energy Scotland (HES) loan	Energy efficiency measures, and renewables, (from a specified list), energy storage and connections to a renewably powered district heating scheme.	Owner occupiers	<p>Interest free loan of up to £15,000, for a variety of energy efficiency measures, such as insulation, double glazing or new boilers for owner occupiers.</p> <p>Funding is available on a first come first served basis. Applications that receive loan funding will include an administrative fee of 1.5% of the total loan value, up to a maximum of £150.</p> <p>Interest free loan funding can also be offered for up to 100% of the quoted installation costs for renewables, energy storage systems and partially/fully renewably powered and approved district heating or to maximum amounts relevant to each measure, whichever is lowest. Two home renewables systems per home up to £17,500 in total can be applied for (two whole-house heating systems cannot be applied for, such as an air source heat pump and a biomass boiler). Loan funding of up to £6,000 for an energy storage system is also available.</p> <p>The repayment period varies based on the amount borrowed. Higher value loans can pay back over a period up to 12 years.</p> <p>http://www.energysavingtrust.org.uk/scotland/grants-loans/home-energy-scotland-loan</p> <p>The scheme provides cashback on some installations (check HES loan website and subject to availability):</p> <ul style="list-style-type: none"> • 40% cashback up to £6,000 for energy efficiency measures • 75% cashback up to £8,000 for renewable systems (including a £500 incentive for installation of a heat meter alongside a heat pump). 	Scottish Government	Energy Saving Trust	Available in 2019/20 financial year.	Cashback elements of the scheme would not operate alongside other Scottish Government grant schemes.

Scheme name	Measures supported	Sectors supported	Description	Funder	Managed by:	End date/status	Match funding restrictions
HES: gas infill Loan (through the Home Energy Scotland loan scheme)	Connection to gas mains and installation of gas central heating with a mains connection.	Owner occupiers	<p>Interest free loan funding for individuals of up to £5,000 to cover any gas connection and an additional £5,000 for associated heating installation costs (an admin fee is charged to applicants who complete works and claim their loan).</p> <p>The household must have loft and cavity wall insulation installed, where practicable.</p> <p>To request an application form property owners call Home Energy Scotland. To apply a completed application form must be submitted with a quote for the gas connection costs and the new boiler, to EST.</p> <p>Tel 0808 8082282</p> <p>https://www.homeenergyscotland.org/find-funding-grants-and-loans/interest-free-loans/overview/</p>	Scottish Government	Energy Saving Trust	As for the general Home Energy Scotland loan scheme	As for the general Home Energy Scotland loan scheme.

Scheme name	Measures supported	Sectors supported	Description	Funder	Managed by:	End date/status	Match funding restrictions
Energy Efficient Scotland: ABS Loan scheme (through the Home Energy Scotland loan scheme)	Energy efficiency measures delivered through EES:ABS and associated repairs	Qualifying owner occupiers and private landlords where the landlord owns up to three properties and the tenant or landlord meet fuel poverty criteria.	<p>Up to £5,000 interest free loan funding available to meet householder contributions for energy efficiency measures delivered through EES:ABS and up to £5,000 for approved repairs necessary to allow measures to be installed. An admin fee is applied to all paid loans.</p> <p>Repayments are made over a maximum of 10 years.</p> <p>To request an application form property owners call Home Energy Scotland. To apply a completed application form must be submitted to EST.</p> <p>Tel 0808 8082282</p>	Scottish Government	Energy Saving Trust	As for the general Home Energy Scotland loan scheme	Only available in conjunction with EES:ABS support.
EES: Warmer Homes Scotland Loan scheme (through Home Energy Scotland Loan scheme)	Energy efficiency measures delivered through Warmer Homes Scotland	Qualifying owner occupiers.	<p>Interest free loans of up to £10,000 for homeowners or landlords whose properties are in receipt of an offer of support from the Warmer Homes Scotland Programme managed by Warmworks and who need further assistance to help pay a contribution towards the work. An admin fee is applied to all paid loans.</p> <p>Repayments are made over a maximum of 5 years, if less than £5,000 and ten years if between £5,000 and £10,000.</p>	Scottish Government	Energy Saving Trust	As for the general Home Energy Scotland loan scheme	Only available in conjunction with Warmer Homes Scotland support.

Scheme name	Measures supported	Sectors supported	Description	Funder	Managed by:	End date/status	Match funding restrictions
HEEPS Loan scheme for Registered Social Landlords	Energy efficiency, renewables and associated repairs (from a specified list based on ECO eligible measures excluding district heating).	RSLs	<p>Interest free loans of between £30,000 and £1 million are available to housing associations and housing co-operatives to install energy saving measures with the aim of progressing properties towards the required Energy Efficiency Standard for Social Housing (EESH) standard. Funding is also available for repairs or enabling work to allow eligible energy saving measures to go ahead.</p> <p>Repayments are made over 10 years.</p> <p>https://energysavingtrust.org.uk/service/social-housing/</p>	Scottish Government	Energy Saving Trust	Currently closed	None

Scheme name	Measures supported	Sectors supported	Description	Funder	Managed by:	End date/status	Match funding restrictions
Private Rented Sector Landlord Loan	Energy efficiency and renewable measures	Private sector landlords	<p>The amount a landlord can borrow depends on how many domestic properties you have in their portfolio:</p> <ul style="list-style-type: none"> • Landlords with five properties or fewer in their portfolio can borrow up to £100,000. • Landlords with six or more properties in their portfolio can borrow up to £250,000. <p>The amount depends on the number of supported energy efficiency or renewable improvements they want to make.</p> <p>The loan is repayable over up to eight years.</p> <p>Successful loans are subject to an administrative fee of 1.5% of the total loan value, up to a maximum of £250. The fee will automatically be added to the loan value and included in the amount repayable. Applicants with five or fewer properties in their portfolio will not be subject to interest. Applicants with six or more properties in their portfolio will be subject to interest at a rate of 3.5% APR.</p> <p>https://www.homeenergyscotland.org/find-funding-grants-and-loans/private-landlord-loans/</p>	Scottish Government	Energy Saving Trust	Ongoing	None

Scheme name	Measures supported	Sectors supported	Description	Funder	Managed by:	End date/status	Match funding restrictions
Resource Efficient Scotland SME loan scheme	Energy efficiency and renewable measures.	SMEs (no longer includes private sector landlords).	<p>Interest free loan (5% if claiming RHI) funding from £1,000 to £100,000 to install energy efficiency measures and renewable technologies. 15% cashback up to a maximum of £10,000.</p> <p>Accessed through Resource Efficient Scotland on 0808 808 2269 for more information about what is required.</p> <p>https://www.resourceefficientscotland.com/SMEloan</p>	Scottish Government	Resource Efficient Scotland and Energy Saving Trust	Currently available	Other Scottish Government loan schemes
Energy Efficient Scotland Equity Loan Pilot Scheme	Energy efficiency improvements and repairs to building fabric	Domestic owner occupiers and certain private sector landlords that rent two properties or less.	<p>Provides up to £40,000 based on equity on the property, repaid at point of sale of the house.</p> <p>Piloted in Perth and Kinross, Stirling, Dundee, Glasgow City, Inverclyde, Renfrewshire, Argyll and Bute and the Western Isles local authority areas.</p> <p>Full terms and conditions are available online:</p> <p>http://www.energysavingtrust.org.uk/scotland/grants-loans/heeps/heeps-equity-loan-scheme</p>	Scottish Government	Energy Saving Trust	Currently open and will last until at least the end of March 2021.	Cannot be offered for the same measures funded by other Scottish Government loan schemes..

Scheme name	Measures supported	Sectors supported	Description	Funder	Managed by:	End date/status	Match funding restrictions
District heating loan scheme	Capital funding support for heat networks/district heating generated by renewables fuel.	Local authorities Registered social landlords/HA's Businesses Energy Services Companies (ESCOs) Legally constituted community groups	Unsecured loans of up to £1M+ towards capital measures for district heating projects. Interest rate 3.5%. Repayable over 15 years. http://www.energysavingtrust.org.uk/scotland/grants-loans/district-heating-loan	Scottish Government	Energy Saving Trust	Currently open for expressions of interest.	
Communities and Renewables Energy Scheme (CARES) pre-planning and post consent loans	Renewables	Community groups Charities Social housing providers Local authorities Rural businesses.	CARES Enablement Grant – Up to £25K where the value of the grant will be capped based on innovation or scheme complexity and can be used to fund feasibility for energy systems or renewable energy projects, investigation of shared ownership opportunities or work to maximise the impact from community benefit association with renewable energy projects. Example project for local authorities: Larger grants and loans for revenue and capital will be announced. Check the website for the most up to date position. http://www.localenergy.scot/funding	Scottish Government	Local Energy Scotland	Apply for enablement grants anytime. Decision-making funding panels for larger revenue and capital grants and loans. Dates to be announced. For details see: https://www.localenergy.scot/funding	Up to 60% intervention rate.

Scheme name	Measures supported	Sectors supported	Description	Funder	Managed by:	End date/status	Match funding restrictions
Domestic Renewable Heat Incentive (RHI) (domestic)	Domestic renewables (heat only)	Domestic owner occupiers Registered social landlords Private sector domestic landlords	Ongoing payments for 7 years for the renewable heat required for 20 years of space and/or water heating in a home. https://www.ofgem.gov.uk/environmental-programmes/domestic-rhi	Department for Business, Energy & Industrial Strategy	Ofgem	Open to new applications until end of March 2022.	Other UK and Scottish Government grant schemes and ECO funding for same measure other than for ground source heat pumps.

Scheme name	Measures supported	Sectors supported	Description	Funder	Managed by:	End date/status	Match funding restrictions
Renewable Heat Incentive (RHI) (non- domestic schemes)	Renewables (heat only)	Local Authorities Housing Associations SME's Community Groups	Ongoing payments (over 20 years) for renewable heat (including district heating) generated to supply more than one domestic property. https://www.ofgem.gov.uk/environmental-programmes/non-domestic-renewable-heat-incentive-rhi/eligibility-non-domestic-rhi https://www.ofgem.gov.uk/environmental-programmes/non-domestic-rhi	Department for Business, Energy & Industrial Strategy	Ofgem	Open to new applications until end of March 2021 (for projects holding a Provisional Tariff Guarantee Notice or Tariff Guarantee Notice that was originally applied for on or after 17 July 2019 and before 29 June 2020., full accreditation applications accepted until March 2022)	Other UK and Scottish Government grant schemes and restrictions on ECO for same measures other than ground source heat pumps.

Scheme name	Measures supported	Sectors supported	Description	Funder	Managed by:	End date/status	Match funding restrictions
Feed-in Tariffs (FITs)	Renewables (electricity producing only)	Domestic owner occupiers Communities Local authorities Registered social landlords Private sector domestic landlords Commercial Industrial	FITs Ongoing payments for up to 20 years for renewable electricity generated and exported. Smart Export Guarantee to replace FITs post March 2019 allowing payment for exported electricity https://energysavingtrust.org.uk/grants-and-loans/feed-in-tariff/?gclid=EA1aIQobChMI2InO1Meg7QIVTdPtCh0uAQbDEAAYAiAAEgIE6PD_BwE	Department for Business, Energy & Industrial Strategy scheme, paid via levy on fuel bills	Ofgem and energy suppliers	Closed to new applications after March 2019 and the Smart Export Guarantee will come into force from 1 January 2020.	
Smart Export Guarantee	Renewables (electricity producing only)	Potentially all sectors, although arrangements for social housing being considered	A scheme that allows sale of surplus electricity to energy companies https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/807393/smart-export-guarantee-government-response.pdf https://www.ofgem.gov.uk/environmental-programmes/smart-export-guarantee-seg/about-smart-export-guarantee-seg	Energy suppliers	Ofgem	TBA	Can't combine with historic FITs arrangements.

Scheme name	Measures supported	Sectors supported	Description	Funder	Managed by:	End date/status	Match funding restrictions
Help to Heat	Gas connections	All tenures of domestic housing	<p>Gas connection subsidy for private sector households that meet certain ECO eligibility criteria, including benefit criteria, have above average energy bills which significantly reduce their remaining household income or are declared eligible through a local authority ECO flexible eligibility declaration or for ECO eligible social housing. Available where the connection is carried out by SGN, the default gas transporter in Scotland, and sometimes through independent gas transporters as well. The scheme is accessed through the householder.</p> <p>https://www.sgn.co.uk/helptoheat/</p>	SGN (mandated by Ofgem)	SGN	Currently open, but obligation finishes at the end of March 2021.	None identified

Scheme name	Measures supported	Sectors supported	Description	Funder	Managed by:	End date/status	Match funding restrictions
<p>Low Carbon Infrastructure Transition Programme (LCITP) (Social Housing Net Zero Heat Fund)</p>	Renewables /low carbon/district heating	Private, Public Community based low carbon projects	<p>The programme aims to stimulate investment in reducing Scotland's greenhouse gas emissions and support Scotland's economic recovery following the COVID-19 pandemic. LCITP has supported the successful deployment of over 20 demonstration projects and the development of over 30 early stage projects.</p> <p>A funding round was launched in August 2020, with £20 million available to support projects that can accelerate the deployment of low carbon heat in existing social housing, particularly through the installation and/or use of heat pumps. Applications are invited from registered social landlords, local authorities and ESCOs.</p> <p>The funding invitation covers three themes:</p> <p>Theme 1 – renewable heat for rural off gas grid areas Theme 2 – low carbon heat for rural and social housing Theme 3 – integrated low carbon heat systems for social housing across Scotland</p> <p>The maximum grant funding intervention rate will be between 45% and 50% depending on the size of the organisation and the location of the project. Projects will be required to provide 50% match funding, of which 30% SG loan funding can be applied for and a minimum of 20% must be from their own capital or agreed private financing.</p> <p>https://www.gov.scot/publications/social-housing-net-zero-heat-fund-overview/</p>	Scottish Government	Scottish Government in partnership with Scottish Enterprise, Highlands & Islands Enterprise, Scottish Futures Trust and Zero Waste Scotland.	<p>Applications can be submitted between 1 September 2020 and 18 December 2020.</p> <p>Projects will be required to complete installation and commissioning by 30 November 2021.</p> <p>The Social Housing Net Zero Fund, will continue until 2026.</p>	<p>Subject to the priorities of the scheme. State aid considerations may apply.</p> <p>Challenge Fund is supported by LCITP already.</p>

Scheme name	Measures supported	Sectors supported	Description	Funder	Managed by:	End date/status	Match funding restrictions
Warm Homes Fund (WHF)	Gas and low running cost heating installations	Social housing providers, local authorities and other organisations working in partnership with them, to address some of the issues affecting fuel poor households	<p>The WHF is a £150million fund administered by AWS across England, Wales and Scotland, primarily designed to address some of these issues by incentivising the installation of affordable heating solutions in fuel poor households who do not use mains gas as their primary heating fuel. It is envisaged that this fund will be used to supplement local strategic plans and funds blended with local support.</p> <p>The fund will be split into three broad categories:</p> <ul style="list-style-type: none"> Urban homes and communities – we anticipate this will involve new gas heating systems which provide space heating and domestic hot water. It could also include heat network solutions. Rural homes and communities – some of the most severely fuel poor households are those without a mains gas connection in rural locations. This category will therefore primarily focus on ‘non-gas’ solutions which may include air source heat pumps, oil and LPG. Specific energy efficient/health related solutions – this may involve national or regional programmes which bring together relevant organisations and charities to promote energy efficiency and health related programmes in relation to fuel poverty. <p>https://www.affordablewarmthsolutions.org.uk/warm-homes-fund/overview?utm_source=sendinblue&utm_campaign=The_Warm_Homes_Fund&utm_medium=email</p> <p>https://www.affordablewarmthsolutions.org.uk/warm-homes-fund/bid-timetable/</p>	National Grid and Community Interest Company, Affordable Warmth Solution	National Grid and Community Interest Company, Affordable Warmth Solution	Operating up to 2021/22. Bid submission window for round 4: closed on 27 th September, awards mid November 2019. A bid window for round 5 lasts from 2 nd December 2019 – 24 th January 2020, covering private sector properties under categories one and two and category 3 for park homes. All installations to complete by end of 2021. The programme will end after that date.	Dependent on programme.

Scheme name	Measures supported	Sectors supported	Description	Funder	Managed by:	End date/status	Match funding restrictions
<p>Energy Industry Voluntary Redress Scheme*</p>	<p>The scheme can support anything from making a home more energy efficient, to providing advice that helps consumers keep on top of their bills. Measures will be dependent on the projects that are approved.</p>	<p>Charitable organisations that support energy customers in England, Scotland and Wales.</p> <p>Local authorities and other organisations working directly with charities in relation to such projects can play a role in projects funded by the scheme, however only their charitable partner will be able to submit an application and be responsible for the funding and project delivery.</p>	<p>Supports initiatives through an application process for projects that cover activities including, making homes more energy efficient and providing advice that helps consumers keep on top of their bills. Projects should be of benefit to people in England, Scotland and Wales.</p> <p>The minimum grant that can be requested is £20,000 and the maximum amount is the lesser of £2 million or the total value of the current fund.</p> <p>The scheme can fund projects lasting up to two years, can fund 100 per cent of the project cost and can cover revenue and capital measures.</p> <p>Applications are made through an online system and closing dates for applications will be determined each quarter.</p> <p>https://energyredress.org.uk/about-us</p>	<p>Payments from energy companies who may have breached rules</p>	<p>Energy Saving Trust on behalf of Ofgem</p>	<p>Ongoing</p>	<p>Charities will not be able to apply for funding through this scheme if they or their delivery partners have close links to energy companies in England, Scotland and Wales regulated by Ofgem (examples include suppliers of electricity or gas, electricity or gas network operators and energy generators).</p> <p>Funding cannot support delivery of ECO or other supplier obligations.</p>

Scheme name	Measures supported	Sectors supported	Description	Funder	Managed by:	End date/status	Match funding restrictions
Energy Investment Fund	Provides financial assistance for renewables development and low carbon technologies	Companies and community groups working in the area of renewable energy at the test or commercialization stage and trying to assemble a funding package.	<p>Building on the Renewable Energy Investment Fund, provides financial assistance for projects that will:</p> <ul style="list-style-type: none"> • Deliver energy from low carbon and renewable sources, reduce the cost of renewable energy or provide key solutions for renewable energy generation • Provide benefit to the economy of Scotland • Have a demonstrable funding gap for EIF to consider • Increase community ownership of energy projects in Scotland (including community stakes in commercial developments) <p>https://www.scottish-enterprise.com/support-for-businesses/funding-and-grants/accessing-finance-and-attracting-investment/energy-investment-fund</p>	Scottish Government and its enterprise agencies	Scottish Investment Bank (applications supported by Local Energy Scotland)	Previous bidding round deadline for the Energy Investment Fund, was in March 2020.	Dependent on programme

Scheme name	Measures supported	Sectors supported	Description	Funder	Managed by:	End date/status	Match funding restrictions
SPRUCE- Scottish Partnership for Regeneration in Urban Centres.	Renewable energy projects and energy efficiency schemes	13 LA's, determined eligible for loans and equity investments until end of 2015. Other Local areas may be eligible during the recycling period 2016-2022. Can support social housing schemes.	The programme is split between revenue generating property & infrastructure investments and energy efficiency investments. On the 2nd of these, social housing providers were invited to develop renewable energy projects and energy efficiency schemes as part of the retrofit of their existing housing stock.	Financed through the JESSICA initiative, ERDF (EU) funds and the Scottish Government	AMBER – as the fund manager (with the European Investment Bank acting as Holding Fund Manager)	Initial loan funding was to be utilised / drawn down by the end of 2015. Loan funding is however being recycled by 2022, with stage 7 application process for Regeneration Capital Grant Fund (RCGF) opening in April 2019 and closed for applications on the 10 th June 2019.	Dependent on programme.
Warm Homes Discount – industry initiatives	Gas boiler repair and replacement, potential for other support delivered through specific schemes. Energy efficient appliances.	Mostly owner occupiers.	Some energy suppliers offer a Warm Home Discount indirectly by providing customers with the services of a third party to help reduce the cost of their energy. Indirect Warm Home Discounts are also known as Industry Initiatives. Schemes include boiler and electric appliance replacement https://www.ofgem.gov.uk/system/files/docs/2018/08/warm_home_discount_whd_guidance_for_suppliers_-_version_6.1.pdf chap 7	Energy suppliers	Ofgem	31 st March 2021.	Project dependent, can't mix with ECO for measures.

Scheme name	Measures supported	Sectors supported	Description	Funder	Managed by:	End date/status	Match funding restrictions
Social Housing Decarbonisation Fund-demonstrator	Local authorities (LAs) and LA-led consortia can bid for funding under this scheme to use innovative approaches to retrofitting social housing at scale.	Social housing	<p>This competition has made available £50m of grant funding for projects to demonstrate cost reduction in the whole house retrofitting of dwellings. The competition covers the whole of the UK, although applications must be led by a Local Authority. Where a grant from BEIS to the Authority (as defined in the Memorandum of Understanding) for the purpose of the SHDF Demonstrator would be State Aid, a maximum of £13.5m will be available per undertaking per project, subject to leveraging match funding in line with the State Aid restrictions. The number of projects funded will depend on the range of solutions proposed and the quality of the proposals.</p> <p>https://www.gov.uk/government/publications/social-housing-decarbonisation-fund-demonstrator</p>	Department for Business, Energy & Industrial Strategy	Department for Business, Energy & Industrial Strategy	<p>The competition is open to applications between 30th September 2020 and 12th November 2020.</p> <p>Final installation report from participants 31st December 2021</p> <p>Final monitoring report from participants 30th June 2022</p>	Can't match fund with ECO RHI or other government funding.

Note: In addition to the schemes above, Public Works Loan Board (PWLb) can provide loan funding for LA's to carry out capital infrastructure projects.

Other support

Local Authorities can also use their discretionary powers to assist home owners in mixed tenure blocks, which might extend to measures that deliver against EESSH targets.

Name of programme	Delivered by	Type of funding/assistance	Timing	Eligibility	Amount of funding
Scheme of assistance	Local Authorities	Local authorities have discretionary powers to provide assistance for home owners for work to their properties, including financial assistance. Availability will vary by local authority, but where home owners are unable to carry out repair or improvement works, for example as part of work on mixed tenure blocks, they <u>may</u> be eligible for some financial assistance, this will depend on local priorities,	Annual	Set by the local authority under their Statement of Assistance.	Local Authorities receive a notional allocation within their general capital grant and revenue funding streams, though this is not ring fenced so it is up to each individual local authority to determine how much funding is available

Name of programme	Delivered by	Type of funding/assistance	Timing	Eligibility	Amount of funding
Home Energy Scotland	Energy Saving Trust	Energy efficiency, renewables and transport advice and support	On-going	Potentially any organisation looking for advice and support, including private and social landlords.	None – Home Energy Scotland is funded by the Scottish Government.

Name of programme	Delivered by	Type of funding/assistance	Timing	Eligibility	Amount of funding
	Keep Scotland Beautiful on behalf of the Scottish Government	Support to communities to take local action on the impacts of climate change.	2008-2016	To be eligible to apply for any funding from the CCF, organisations need to be:	The final deadline for CCF Development Grants of up to £1,000 was 17 August 2018.

Name of programme	Delivered by	Type of funding/assistance	Timing	Eligibility	Amount of funding
<p>Climate Challenge Fund (CCF)</p>		<p>A maximum funding limit of £150,000 per organisation per year is in place.</p> <p>CCF can support community projects which increase energy efficiency in homes and community-owned buildings, sustainable transport, waste reduction and recycling and local healthy and seasonal food growing where projects meet the overall eligibility criteria.</p> <p>https://www.keepsotlandbeautiful.org/sustainability-climate-change/climate-challenge-fund/</p>		<ol style="list-style-type: none"> 1. Scottish based 2. Led by the community 3. Operating on a not for profit basis, or a trading company wholly owned by a not for profit organisation (profit making organisations are eligible to apply to the CCF on the condition that they are wholly owned by a Scottish based not for profit organisation) 4. Legally constituted (organisations will need to be legally constituted by the time they submit their Final Application) <p>Community-led organisations from that have applied include: Community-led housing associations as well as community groups.</p>	<p>These grants are designed to help develop an application for a climate action project.</p> <p>The deadline has passed to submit an Expression of Interest for CCF grants of up to £150,000 per year for projects taking place between 1 April 2019 and 31 March 2021.</p>

Name of programme	Delivered by	Type of funding/assistance	Timing	Eligibility	Amount of funding
<p>SP Energy Networks Green Economy Fund</p>	<p>SP Energy Networks</p>	<p>SP Energy Networks have committed to voluntarily contribute up to £20m over a two year period up to 2020, to support initiatives that will benefit the people of Scotland and support Scotland’s ambitious green energy plans and local economic growth.</p> <p>The fund will focus on helping our communities invest in low-carbon heating and transport technology, building the infrastructure and the learnings needed for the changes in heating and transport expected over the next decade. The fund will support the Scottish Government’s ambitious energy strategy and the UK’s drive to a low carbon economy.</p> <p>https://www.spenergynetworks.co.uk/pages/green_economy_fund.aspx</p>	<p>Funding rounds to be announced, with closing dates for two earlier bid rounds having past</p>	<p>To apply you must be a Scottish organisation or a UK organisation with a Scottish footprint i.e. staff based in Scotland.</p> <p>A wide range of organisations are eligible to apply including charities, community groups, housing associations, local authorities, schools, academic institutions and businesses. Where an application comes from a business, particularly large companies, there must be high levels of social and/or economic outcomes.</p> <p>The scheme is not open for individuals to apply for funding.</p>	<p>The minimum grant award is £10,000 and whilst there is no stated maximum threshold the funder is looking to support a range of small, medium and large projects.</p>

Name of programme	Delivered by	Type of funding/assistance	Timing	Eligibility	Amount of funding
Electrification of Heat Demonstration Project	Changeworks/ Warmworks	<p>Warmworks and Changeworks are working together, funded by the Department for Business, Energy & Industrial Strategy (BEIS), to install 250 heat pumps in homes across South East Scotland. The project aims to make homes warmer and more energy efficient over the longer term, as well as reducing householders' reliance on fossil fuels and traditional sources of heat. It is also intended to provide the UK Government with a greater understanding of the motivators behind householders installing heat pumps, the barriers they face in doing so and how a large-scale rollout of heat pumps might work in the future.</p> <p>https://www.changeworks.org.uk/projects/electrification-of-heat-demonstration-project</p>	Open currently	Homeowners can take part in the project by completing an online form, calling, or emailing Changeworks on designated project communication channels. If a household has been identified by Changeworks as being potentially suitable for this project their information will be securely passed to Warmworks who will arrange for a technical survey and for the installation of the most suitable heat pump technology	Installed free for those accepted onto the programme, with 12 months follow on support.
European Green Deal call	European Union	<p>The Green Deal call will mobilise research and innovation to foster a just and sustainable societal transition aiming at 'leaving nobody behind'.</p> <p>https://ec.europa.eu/info/research-and-innovation/strategy/european-green-deal/call_en</p>	Call for proposals from mid-September 2020 to end of January 2020	Call for proposals cover 11 themes, involving cooperation with international partners.	Unspecified

Also

www.Fundingscotland.com - for 3rd sector, run by SCVO in inverness

and

Turn2Us - for individuals <https://grants-search.turn2us.org.uk/>

ZEST - Mapping of existing work and recommendations from other groups

Theme	Social landlords	State of the market to deliver	Technical Solutions	Finance
Scotland's Climate Assembly – Interim report	<ul style="list-style-type: none"> • Education - Provide everyone with accurate information, comprehensive education, and lifelong learning across Scotland to support behavioural, vocational and societal change to tackle the climate emergency and ensure everyone can understand the environmental impact of different actions and choices • Communities - Empower communities to be able to develop localised solutions to tackle climate change 	<ul style="list-style-type: none"> • Carbon labelling - Provide clear and consistent, real and total carbon content labelling on produce, products and services (showing production, processing, transport and usage emissions) to enable people to make informed choices • Business - Support long term sustainable business models where people and the environment are considered before profit, and the carbon footprint of working practices is reduced 	<ul style="list-style-type: none"> • Retrofit homes - Retrofit the majority of existing homes in Scotland to be net zero by 2030, while establishing Scotland as a leader in retrofit technology, innovation and installation practices • Enerphit/Passivhaus - Adopt and implement clear and future-proofed quality standards for assessing the carbon impacts of all buildings (public and private) using EnerPhit/Passivhaus standards (as a minimum) and integrating whole life carbon costs, environmental impact and operational carbon emissions 	<ul style="list-style-type: none"> • Taxation - Develop and implement a fair, equitable and transparent tax system that drives carbon emission reductions, while recognising different abilities to pay, and generates revenue to enable energy transition
Housing to 2040	<ul style="list-style-type: none"> • We will establish a Zero Emissions Social Housing Task Force • We will seek the agreement of the social housing sector to bring forward the review of the Energy Efficiency Standard for Social Housing 2 to 2023 with a view to strengthening and realigning the standard with net zero requirements so that social housing leads the transition to zero emissions buildings 	<ul style="list-style-type: none"> • Early in 2021, we will initiate a new supply chain action plan specifically focused on the development of energy efficiency and zero emissions heat in buildings supply chains in Scotland • In 2021, Skills Development Scotland will carry out work to build a better understanding and evidence base of the future skills needed to help the construction industry move to zero emissions 	<ul style="list-style-type: none"> • We will consult on a reformed Energy Performance Certificate (EPC) assessment process by summer 2021 • We will bring forward proposals for regulating, to the extent that devolved powers allow, to require the installation of zero or very near zero emissions heat in existing buildings from 2025, with a backstop of 2045. • A new zero emissions new build affordable homes strategy will also include how we will develop and promote nature-based investments 	<ul style="list-style-type: none"> • We will develop a new zero emissions new build affordable homes strategy to be developed in 2021 which will focus on greater use of offsite construction and the introduction of a new business model for the delivery of affordable homes based on collaborative procurement. • We and partners across the public and private spheres will ramp up

	<ul style="list-style-type: none"> • Aim for all new homes delivered by Registered Social Landlords and local authorities to be zero emissions by 2026 • We will consult on introducing regulation to require mixed-tenure and mixed-use buildings such as tenements to reach a good level of energy efficiency (equivalent to EPC C where technically feasible and cost effective), and to install a zero emissions heating supply by 2040-45, including provisions on ensuring cooperation between building owners to carry out works and recover costs. • In 2021, a bespoke public engagement strategy for heat in buildings will be implemented • By the end of 2023, there will be a new requirement for a Local Heat and Energy Efficiency Strategy (LHEES) to be in place in all local authority areas. 	<ul style="list-style-type: none"> • We will work with Skills Development Scotland and others to develop flexible learning offers to ensure that the new skills needed to support the move to offsite construction are available through a variety of routes • From 2022, the creation of an offsite construction training route as part of the online National Construction Skills Academy being established to provide training linked to low carbon and digital skills and high-quality management training. We will also work with enterprise agencies and the Construction Scotland Innovation Centre to promote house building and wider construction as an attractive and ethical career prospect in schools and through wider marketing. 	<p>in affordable housing delivery. This will involve greater use of natural products and solutions delivered and funded ethically, such as green infrastructure, forestry and agricultural solutions using Scottish raw materials.</p> <ul style="list-style-type: none"> • We will work with Historic Environment Scotland to consider what specific regulatory provisions or exemptions may be needed within regulations for buildings designated as listed or in conservation areas. • We will work with the Construction Scotland Innovation Centre, Scottish Futures Trust and others to establish a housing innovation programme to reshape demand towards design for manufacture and assembly 	<p>investment on decarbonised heat from 2025 onwards</p> <ul style="list-style-type: none"> • We will continue delivery of energy efficiency investment to support fuel poor households in order to make homes warmer and easier to heat and to reduce the impact of any increased running costs from zero emissions systems. This will take into account the distinct challenges faced by island, rural and remote communities, with extended financial support for off-grid communities. • We will extend the Social Housing Net Zero Heat Fund until 2026 to further accelerate the decarbonisation of our social housing stock • We will establish a Green Heat Finance Taskforce in 2021 to explore potential new and innovative financing mechanisms to support heat decarbonisation. • We will develop a housing sectoral plan by 2022 to prioritise the delivery of
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				<p>green housing investments such as energy efficiency and zero emissions heating across sectors and set out how those can be procured effectively</p> <ul style="list-style-type: none"> • We will apply Fair Work First to our zero emissions new build affordable homes strategy and apply these criteria to grants, other funding and contracts awarded by and across the affordable housing sector
Housing System Policy Circle	<p>Assessing the impact of regulatory requirements</p> <ul style="list-style-type: none"> • Work with the social housing sector to assess the cumulative impact of regulatory, legislative and compliance requirements in social housing (e.g. EESSH2) and their impact on tenants. This should monitor the impact on rent levels, affordability and fuel poverty, ensuring that these offer value for money and positive outcomes for tenants and communities. <p>Planning resources -</p> <ul style="list-style-type: none"> • Ensure local authority planning departments are appropriately resourced to enact new Planning legislation 		<p>Cross-sector delivery</p> <ul style="list-style-type: none"> • Deliver cross sector models from both Health and Housing, with resources specifically designed to prevent the need for hospital care and promote independent living. This should ensure stronger working between social housing providers and Health and Social Care Partnerships (HSCP), recognising the interdependence of housing and health and social care services in supporting placemaking and wellbeing (including preventing homelessness). This could offer one pot of dedicated money in each HSCP area, aligning with health, housing and other budgets (including digital and technology solutions) but with a shared system approach across Scotland. 	<p>Reducing VAT on existing homes</p> <ul style="list-style-type: none"> • Lobby the UK Government to address the inequality of VAT being applied to existing housing but not to new build housing. Removing or reducing VAT for work on existing homes would reduce the costs of repairs, maintenance and refurbishment work, including energy efficiency upgrades. This would facilitate regeneration of the existing housing stock and help to improve living conditions for households across Scotland.

	<p>in order to deliver vital infrastructure such as housing. This should include provisions to support effective community engagement and the involvement of localised working groups to ensure individuals and communities are able to meaningfully participate in decision making.</p> <p>Re-framing social housing –</p> <ul style="list-style-type: none">• Recognise that social housing has a vital role to play in setting and leading standards across the whole housing system, and, as it grows, to exert pressure on the market sectors to improve their performance. The Scottish Government should work with the national representative bodies and others to ensure social housing is seen as an attractive option for households and key component of future housing policy. Social housing providers should also be supported in developing innovative solutions which can improve outcomes for tenants and help to drive up standards in the wider housing sector.			
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<p>Existing Homes Alliance (Manifesto)</p>	<ul style="list-style-type: none"> • A Countdown to 2040 Delivery Plan, which shows how we will meet targets and includes a package of support and incentives so we can upgrade Scotland's existing homes without passing the cost on to those who can least afford it. 	<ul style="list-style-type: none"> • A Programme of Innovation to Deliver Green Jobs, develop expertise and build confidence • Make sure the Green Jobs Fund delivers the upskilling, training and apprenticeships we need to grow the workforce to deliver zero carbon buildings. • Support community resilience through local, quality focused procurement and development of local supply chains. 	<p>Investment in innovation and support for local authorities and their partners to trial new approaches to improving energy efficiency, reduce fuel poverty and deliver thousands of green jobs.</p>	<ul style="list-style-type: none"> • A legislative framework that gives the clarity and certainty needed to attract private investment, support Scotland's homeowners, landlords and supply chains, whilst ensuring fairness and quality.
<p>Infrastructure Commission for Scotland</p>	<ul style="list-style-type: none"> • All Scottish Government funded projects included in its 2020 Infrastructure Investment Plans should be prioritised against available inclusive net zero carbon economy outcomes. • The Scottish Government should, by 2021, develop and publish a new infrastructure assessment framework and methodology that will enable system wide infrastructure investment decisions to be prioritised on the basis of their contribution to inclusive net zero carbon economy outcomes. • The Scottish Government should publish by 2023 a system wide Scottish 	<ul style="list-style-type: none"> • The Scottish Government should lead the development of a place-based assessment of long term housing supply and demand across Scotland by 2021, supported by the development of a coherent strategy for the labour market and business opportunities arising from an inclusive net zero carbon economy. • To support the implementation of National Planning Framework 4, and the new system of development plans a co-ordinated and appropriately resourced Infrastructure First approach to the planning system should be introduced 	<ul style="list-style-type: none"> • By the end of 2020, the Scottish Government should require all public sector infrastructure owners to develop asset management strategies containing a presumption in favour of enhancing, re-purposing or maintaining existing infrastructure over developing options for new infrastructure. New infrastructure should only be considered where the relevant authority has demonstrated this is the most appropriate response. • To support this, the Scottish Government should now prepare guidance for relevant authorities on a whole-life approach to infrastructure maintenance and prioritisation which includes both cost and build resources. It should also include guidance on assessing 	

	<p>Infrastructure Needs Assessment covering all infrastructure sectors defined by the Scottish Government and we recommend the inclusion of natural infrastructure. The Assessment should be refreshed and updated at least every 5 years thereafter.</p> <ul style="list-style-type: none"> • A fully updated Infrastructure Investment Plan should be developed by the Scottish Government for publication by 2025 using the new assessment framework and methodology and informed by the Infrastructure Needs Assessment. 	<p>by the Scottish Government by 2021. This should be undertaken with infrastructure providers, developers and other public bodies, to ensure the effective delivery of a Scotland wide, integrated and coherent outcome based approach to planning spatial land use; with implementation to be undertaken at the appropriate regional, local and community level.</p> <ul style="list-style-type: none"> • To support the creation of a vibrant circular economy for Scotland, by 2023 the Scottish Government should establish a route map for the implementation of a viable outcome focused system of resource use, reduction, collection, treatment and repurposing. 	<p>the wider net zero carbon and inclusive economic growth priorities that need to be established.</p> <ul style="list-style-type: none"> • There should also be a presumption against like-for-like replacement of existing assets and the construction of new, single organisation/purpose assets in favour of shared facilities. • Drawing upon available evidence, including the 2nd Scottish Climate Change Adaptation Programme, by 2023, the Scottish Government should develop a clear implementation plan, to address critical natural and built infrastructure climate resilience and adaptation needs. 	
<p>Just Transition Commission</p>	<ul style="list-style-type: none"> • 12 Conclude the Local Governance Review at the earliest possible date • 13 Implement Green Participatory Budgeting with agreed target levels of funding • 14 Launch a call to action for engagement with Regional Land Use Partnerships 	<ul style="list-style-type: none"> • 1 Ensure sufficiently developed roadmaps exist for the net-zero transition in Scotland, including for key technology options. • 2 The public sector must be more prescriptive and strategic in its use of funding streams to build strong and resilient local supply chains 		<ul style="list-style-type: none"> • 4 All public funding for climate action should be conditional on Fair Work terms • 6 Develop a position on the role of a carbon border tax to mitigate against the threat of offshoring emissions and jobs.

	<ul style="list-style-type: none"> • 15 Apply the lessons learned from Scotland’s Climate Assembly across the development of all policies for tackling climate change • 16 Empower and resource local authorities to deliver a just and green recovery • 17 A new “Sustainable Scotland” brand should be created to support Scottish agriculture deliver climate action and to empower consumers to choose sustainably produced food and drink • 18 Scottish Government, local authorities and developers must commit to creating communities that embed low-carbon lifestyles, while improving our health and well being • 19 A statutory public interest test should be developed for any changes in land ownership over a certain threshold • 20 Decisive action must be taken to ensure that all consumers are able to benefit from the • increasing availability of new ways of buying and selling electricity 	<ul style="list-style-type: none"> • 3 All levers should be used to achieve increased local content and more competitive Scottish offshore wind projects. • 5 Just Transition plans for high-emitting industrial sectors of the Scottish economy and include clear milestones out to 2045. • 7 Establish a Just Transition Plan for Scotland’s land and agriculture and include clear milestones out to 2045. • 8 Lay the groundwork for a flexible, accessible skills and education system that can meet the needs of net-zero while addressing existing inequalities in the labour market. • 9 Create a skills guarantee for workers in carbon-intensive sectors. • 10 Support small and medium sized enterprises to invest in their workforces. • 11 Equip farmers and land managers with the skills, training, and advice they need 		<ul style="list-style-type: none"> • 21 Any additional costs for consumers associated with emissions reduction must be linked to a ability to pay. • 22 The power of public sector pension funds and business support funding must be directed • towards ensuring companies align with the just transition to net-zero • 23 New methods for funding the transition should be developed that mobilise finance towards local projects • 24 We must move beyond GDP as the main measure of national progress. For a just transition to be at the heart of Scotland’s response to climate change, Scottish Government must champion frameworks that prioritise wellbeing.
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<p>Energy efficiency's offer for a net zero compatible stimulus and recovery – UK wide recommendations</p>	<p>Infrastructure Investment Priority</p> <ul style="list-style-type: none"> • Treat energy efficiency as a national infrastructure investment priority, with a commensurate target – achieving an Energy Performance Certificate (EPC) rating of C for all homes by 2030 – clear governance arrangements, a long-term plan and capital budget to achieve it. 	<p>Regulation –</p> <ul style="list-style-type: none"> • Sets out robust regulation, strengthening over time towards requiring EPC C, that requires some homeowners to take action and inspires others to plan and invest for the future. <p>Local Authorities –</p> <ul style="list-style-type: none"> • Support a long-term approach to delivery in which local authorities play a core role in tackling fuel poverty, creating demand and growing local supply chains. • Ensures strong advice provision, quality assurance and safety standards. 		<p>Additional investment (UK) -</p> <ul style="list-style-type: none"> • Provide additional public capital investment of £1.8 billion per year to 2030, bringing the total to £2.5 billion – much of it supporting low income households – that can help unlock at least £4.8 billion of private investment.
<p>Carbon-Free, Poverty-Free</p>	<ul style="list-style-type: none"> • We recommend that the Scottish Government adopts a target for retrofitting all off-gas households with renewable or low carbon heating systems by 2040. We further recommend that interim targets are adopted (e.g. for 2025, 2030 and 2035) to ensure that, as has resulted from previous policies, ‘high hanging fruit’ such as the large-scale deployment of new energy infrastructure is prioritised for deployment as part of this energy transition. 	<ul style="list-style-type: none"> • In order to develop the necessary infrastructure and fuel supply chains necessary to maximise the benefits of heat networks we recommend the urgent adoption of a Danish-style Heat Supply Act, which should also be introduced alongside the revised Scottish Building Standards in 2021. 	<ul style="list-style-type: none"> • We recommend that a ban on the sale of all new oil and coal boilers be implemented alongside the introduction of the revised Scottish Building Standards in 2021 	<ul style="list-style-type: none"> • We recommend that the Scottish Government explores how future funding available through the Scottish National Investment Bank could be used to increase the level of financing available to incentivise off-gas householders to adopt renewable and low carbon heating systems, and to support the deployment of new energy infrastructure, generation, and storage, along with supporting the growth of

				the necessary fuel supply chains
Changeworks - EESSH2 Research and modelling for Scottish Federation of Housing Associations (SFHA)	<p>EPCs/EESSH2 -</p> <ul style="list-style-type: none"> • Provide clarity on minimal requirements or standards for monitoring and evaluation as a base for evidencing improved outcomes for tenants sufficient to complement EPC and realise EESSH2. • Advocate for the inclusion of air quality and Environmental Impact in the 2023 EESSH2 review. Most RSLs do not have definitive plans for EESSH2 and while the earlier review date of 2023 (from 2025) is welcomed, the lack of clarity is helping maintain the current inertia. There should be no drift with the date and outcomes from the review. 		<p>Measures combinations –</p> <ul style="list-style-type: none"> • A whole house approach is needed to deliver impactful retrofit programmes, deliver economies of scale and minimise the disruption to tenants. • Improved information exchange between members. Develop case studies and deliver awareness raising events showcasing good examples and best practice. <p>Role of Hydrogen –</p> <ul style="list-style-type: none"> • Advocate for an incentive for RSLs not to install replacement gas boilers into properties as part of maintenance cycles thus locking them in to a carbon intensive fuel beyond the 2032 EESSH2 target. A heat pump installation incentive or gas boiler scrappage scheme could encourage RSLs to take action sooner. • Push Scottish Government for clear and realistic guidance to RSLs who are waiting for more information related to Hydrogen before they start planning and delivering heat decarbonisation programmes. 	<p>Funding and investment -</p> <ul style="list-style-type: none"> • Allocate specific funding and dedicated support for fabric improvement measures to reduce heat demand. Well insulated properties need smaller heat pumps thus reducing install costs. • Adopt realistic timescales for RSLs to bid for LCITP Net Zero Heat Fund (or equivalent) and deliver improvements. By allowing financial spend over a longer time horizon (and certainly over 12 months), proper planning and alignment with RSLs confirmed capital programmes can take place. • Opportunity to provide more support for applicants or amend the application process. Participants mentioned that the applications are burdensome and require information and detail which applicants do not have at the time.

<p>Energy Action Scotland (recent paper on PAS concerns)</p> <p>Bolded recommendations are the priority 1 asks.</p>	<ul style="list-style-type: none"> Information campaign to ensure that all contractors, Local Authority and Housing Association clients are fully aware of the implications of the PAS 2030:2019/2035 standards. 	<ul style="list-style-type: none"> Seek a 12mnth suspension of the introduction of PAS 2035 for the delivery of ECO programme works Apply an exemption in Scotland from the full aspects of PAS 2035 for 12mnths to allow organisation to meet the requirement of the standard Immediate recognition of PAS as a barrier to fulfilling HEEPS:ABS in rural areas Scottish Government to temporarily decouple the PAS 2030/2035 requirements from HEEPS:ABS, due to COVID impacting on training etc, to 2022 until such a time as it is clear that there is confidence that capacity exists. Increased capacity at colleges and other training organisations Locally provided courses. Scottish equivalent qualifications are identified and supported including the importance of ensuring that time served people and Recognised Prior Learning within the contractor base are supported to achieve standards. 	<ul style="list-style-type: none"> Ask BEIS, Trustmark, BSI & GDGC to review how warranties are granted where the Retrofit Designer has designed a solution. 	<ul style="list-style-type: none"> Interim provision of gap funding- utilising underspent HEEPS:ABS to fill the ECO gap. (i.e. in effect Extend the PAS Transition period by meeting the cost of ECO within HEEPS:ABS programmes until the supply chain has had the opportunity to become accredited/certified) Support, targeted grant funding, for colleges and the sector to upskill its existing workforce to meet PAS accreditation/certification standards Review how HEEPS:ABS links to ECO and re-consider grant ceilings in light of additional costs. Clarity over the quality standards required for public funded programmes (grants/loans) Review funding support for existing contractors. In particular support is required for small and rural contractors - to ensure engagement with training whilst remaining viable.
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Working Group on Maintenance of Tenement Scheme Property	<p>Working Group Recommendations:</p> <ol style="list-style-type: none"> 1. Building inspections 2. Establishing compulsory owners' associations 3. Establishment of Building Reserve Funds <ul style="list-style-type: none"> SG response – We will engage with the Scottish Law Commission on the three recommendations, with a view to referring these matters to the Scottish Law Commission to carry out a law reform project and provide a report with recommendations and a draft Bill that would implement the reforms. We will also include ongoing fire safety and energy efficiency considerations as part of this engagement. 		<p>SG commitments outlined in response:</p> <ul style="list-style-type: none"> commissioning research to determine the proportion, geography, and tenure mix of relevant buildings, and how this may affect the viability and establishment of owners' associations supporting development of good practice to encourage owners to set up their own associations, including considerations on condition reports; the development of a form for a tenement condition report and a framework for recognised professionals to complete it; the development of proposals for a publically accessible online platform to support access to tenement condition reports, so that people are able to complete them and share them on a voluntary basis and to facilitate a mandatory system; for tenement condition to be included as part of ongoing considerations on improvements to Home Reports; 	<ul style="list-style-type: none"> convening a forum of finance professionals to advise on a building reserve fund, initially available on a voluntary basis; commissioning research to evaluate what factors affect repair costs and how to set a level of expected contribution for a building reserve fund; and

			<ul style="list-style-type: none"> consideration of what an affordable, viable compulsory factoring service might look like, and engage with property factors on this; 	
The Impact of Social Housing: Economic, Social, Health and Well being	<p>Role in social and economic renewal –</p> <ul style="list-style-type: none"> The Scottish Government, and other stakeholders, should recognise the myriad of positive social and economic benefits provided by housing associations and co-operatives in Scotland. In light of their pivotal role in building community resilience, social housing providers should be an integral part of the national recovery from COVID-19 and strategies for economic and social renewal. <p>Evaluation –</p> <ul style="list-style-type: none"> Social housing providers and their partners should develop their evaluation activities to align their evidence of impact to the National Performance Framework and other performance indicators. This will help to demonstrate value for money to service users, funders and other stakeholders as well as reinforcing the important 		<p>Design and quality –</p> <ul style="list-style-type: none"> The Scottish Government should consider the importance of the design and quality of our homes in light of the COVID-19 experience and make this a central part of the recovery programme. In building back better, housing policy and strategy (e.g. housing quality, space standards, green space/gardens, affordability and energy efficiency) will need to reflect new demand including changes to occupancy patterns, working practices, schooling and care requirements. 	

	<p>economic, social and health impacts offered by the social housing sector as a whole.</p> <p>Social value –</p> <ul style="list-style-type: none"> To further develop our understanding of social value as an approach to measuring impact locally, social housing providers should continue to work with SFHA, HACT and other relevant stakeholders in order to develop good practice and disseminate shared learning outcomes (i.e. as part of the parallel SFHA/HACT toolkit project and the SFHA Impact Manifesto). 			
Climate Assembly UK	<ul style="list-style-type: none"> Support for smaller organisations to offer energy services Information and support funded/provided by government <p>Government help for everyone / government help for poorer households</p>	<ul style="list-style-type: none"> Simpler consumer protection measures Changes to product standards to make products more energy efficient and ‘smart’ Changes to energy market rules to allow more companies to compete <p>heating products</p>	<ul style="list-style-type: none"> Local plans for zero carbon homes Enforcing district heating networks Move away from fossil fuels and transition to new energy sources Products and services labelled to include their carbon footprint <p>A ban on sales of new gas boilers from 2030 or 2035</p>	<ul style="list-style-type: none"> Changes to VAT on energy efficiency and zero carbon <p>Incentives to accelerate progress to net zero and conditions attached for organisations seeking government financial support</p>

Zest Meeting 13 May 2021
Paper for Affordability Sub-Group

Fuel Poverty Rates and Budgets for Net Zero and Energy Efficiency

1. The purpose of this paper is to provide information for ZEST's affordability discussion by setting out the breakdown of fuel poverty rates as well as total SG budgets available for net zero and energy efficiencies.

Fuel Poverty Rates

2. ZEST members asked for information about fuel poverty rates by RSL and LA.

3. The Fuel Poverty (Targets, Definition and Strategy) (Scotland) Act (The 2019 Act) sets a new definition of fuel poverty which affects how fuel poverty is to be defined and measured.

4. Under the new definition, a household is in fuel poverty if, in order to maintain a satisfactory heating regime, total fuel costs necessary for the home are more than 10% of the household's adjusted net income (after housing costs), and if after deducting fuel costs, benefits received for a care need or disability and childcare costs, the household's remaining adjusted net income is insufficient to maintain an acceptable standard of living. The remaining adjusted net income must be at least 90% of the UK Minimum Income Standard to be considered an acceptable standard of living, with an additional amount added for households in remote rural, remote small town and island areas. For extreme Fuel Poverty, the definition is the same except the total fuel costs are more than 20% of adjusted net income.

5. The Scottish House Condition Survey 2019¹ demonstrates that rates of fuel poverty are similar amongst the housing association (39%), local authority (36%) and private rented (36%) sectors. Rates for these tenures are higher than for those who own their property outright (21%) or with a mortgage (12%). The pattern for extreme fuel poverty is a little different with the highest rates in the PRS (22%) while LA (15%), HA (14%) and owned outright (13%) have similar rates and then mortgaged households have the lowest (5%).

6. This data will be influenced by a number of factors, such as the difference in energy efficiency (the private rented stock has the highest proportion of properties rated in the lowest EPC bands F and G) and in income (income in the social sector tends to be skewed towards the lower income groups while in those with a mortgage have the largest share of higher income groups) between households in these sectors.

¹ [Scottish house condition survey: 2019 key findings - gov.scot \(www.gov.scot\)](https://www.gov.scot/resources/documents/2020/04/Scottish-house-condition-survey-2019-key-findings-20200428.pdf)

7. The Scottish Government publishes fuel poverty estimates (3 year averages for 2017 to 2019) by local authority broken down by social/private rented/owner occupier sector. These are available on the Scottish Government's website.² These are not published with social landlord broken down separately by LA/HA – this is mainly due to the small numbers.³

8. Rates of fuel poverty amongst social sector households range from 25% in North Lanarkshire to 63% in Orkney Islands and Na h'Eileanan Siar. While extreme fuel poverty rates amongst social sector households range from 7% in West Dunbartonshire to 38% in Shetland Islands, 31% in Orkney Islands and 31% in Na h-Eileanan Siar. Within authorities, differences between tenures generally reflect the national patterns described above.

9. As set out in the draft Heat in Buildings Strategy, where a heat pump replaces a modern, efficient gas boiler, the greater efficiency of the heat pump may be insufficient to offset the higher price of electricity and the household's running costs may therefore increase. High standards of energy efficiency can help to reduce the overall demand for energy, and alongside energy saving behaviours, can help to ensure running costs remain affordable.

10. However, it is worth noting that households in the social sector are already at a higher standard of energy efficiency (56% at band C or better) than those in the owner occupied (41%) and private rented sectors (40%) which could be driven by the Scottish Housing Quality Standard and the Energy Efficiency Standard for Social Housing which introduced minimum energy efficiency levels for the sector.

Scottish Government Energy Efficiency Budgets

11. The total Scottish Government heat and energy efficiency capital budget for 2021-22 is £334.4 million, including capital and financial transactions. This includes £30 million for the Social Housing Net Zero Fund and £5 million for decarbonising the affordable housing supply programme.

Net Zero Social Housing Fund

12. The Fund was launched in August 2020 with an initial investment of £20 million to support existing social housing landlords across Scotland to deploy low carbon heat and contribute towards our heat decarbonisation and fuel poverty objectives. The Social Housing Net Zero Heat Fund considers applications for capital support from projects led by Registered Social Landlords, Local Authorities and ESCO's that can contribute towards the realisation of the Scottish Government's vision to provide warm, high quality, affordable, low carbon homes and establishing a housing sector as part of a successful low carbon economy across Scotland.

² [Scottish House Condition Survey: Local Authority Analysis 2017-2019 - gov.scot \(www.gov.scot\)](https://www.gov.scot/resources/consultations-petitions/embedded/ScottishHouseConditionSurveyLocalAuthorityAnalysis2017-2019.pdf).

³ Fuel poverty and extreme fuel poverty numbers in the samples for East Renfrewshire and East Dunbartonshire are so small that there would be a risk of disclosing personal data, and are not included in the following analysis.

13. The draft Heat in Buildings Strategy **commits to extending the fund to 2026 with a budget commitment of £100 million (£20 million each year)**. The Fund will launch its next call in the coming months and the Fund will also be extended to energy efficiency only funding call through our Social Housing Low Carbon Heat Funding Invitation. This funding will help to support social housing landlords across Scotland to take forward projects to deploy zero emission heat, improve energy efficiency and reduce fuel poverty. Given the five year funding commitment for the Fund, the Scottish Government will work collaboratively with our partners in the sector to consider how this funding can best support decarbonisation of our social housing stock.

Green Heat Finance Task Force

14. The Draft Heat in Buildings Strategy published for consultation by the Scottish Government on 5 February 2021 includes a commitment to establish a Green Heat Finance Task Force to provide and recommendations to Scottish Government on potential new financing models and routes to market for low and zero carbon heat by May 2023.

15. Public sector funding from the Scottish Government, UK Government, local authorities or investment from new institutions like the Scottish National Investment Bank will be a part of the solution to deliver the scale of transformation needed by 2045, but private investment – whether that be from homeowners, landlords or business paying for their own properties or from the institutional investment community providing financing for large scale infrastructure - must drive progress. We must mobilise and work in collaboration with the private sector to leverage the scale of investment needed and to develop innovative and new approaches to financing heat decarbonisation and energy efficiency measures.

16. The Scottish Government will establish a Green Heat Finance Taskforce in 2021. This Taskforce will forge a new partnership approach between the Scottish public sector, heat decarbonisation experts and the financial sector, working with organisations including the Scottish Futures Trust and the Green Finance Institute, to explore potential new and value for money innovative financing mechanisms for both at-scale and individual level investment. The Green Heat Finance Taskforce will make recommendations on the range of approaches that the Scottish Government - working in collaboration with the private sector - should bring forward to support the scaled growth in private capital needed and, where possible, pilot innovative solutions to attract investment.

17. This will build on the rich evidence base already developed by the UK Climate Change Committee, the Coalition for the Energy Efficiency of Buildings and others and could include looking at opportunities to expand already tried and tested models such as Public-Private Partnerships or Regulated Asset Based-type model to fund large scale infrastructure including heat networks, as well as new emerging and established business models for households and business such as Heat as a Service, Energy Performance Contracting, green mortgages and salary sacrifice models.

**Scottish Government
May 2021**

Zero Emission Social Housing Task Force (ZEST) Costs and Affordability Sub Group – Terms of Reference

The subgroup will consist of members of ZEST who have been identified by the co-chairs as having the financial expertise and understanding of the financial impact to both social tenants and landlords of social housing to advise on solutions to ensure a fair and just transition to zero emission heating in social housing.

The sub-group is being tasked in preparing advice to ZEST on potential financial solutions for funding provision that is required by the social housing sector to achieve zero emission homes while maximising the wider social and economic opportunities relating to green jobs and warm, quality, sustainable homes, whilst ensuring that fuel poverty issues are not exacerbated.

The sub-group will be guided by the same guiding principles and framing questions as set out in the ZEST terms of reference, with a particular focus on –

How can all partners come together to ensure funding and finance incentivise and enable a just and fair transition to net zero for the social sector at the pace and scale required?

- How can Scottish Government investment support the transition alongside investment from social landlords? What is a realistic contribution split?
- What are the options for how this can be financed? Existing/mainstream and new/novel ideas?
- How do we balance the need to invest in upgrades with keeping rents affordable?
- What other financial levers are required to support all of these through the transition and what partnerships are needed
- How can we create incentives for fabric upgrades alongside the move towards regulating emissions from buildings?

What is required to ensure we continue to make progress on tackling Fuel Poverty while achieving zero emission homes in the social sector?

- How can we ensure a just transition, managing to alleviate fuel poverty as we go?
- How can we better align the decarbonisation and fuel poverty policy agendas?
- Which combinations of technologies should be deployed in support of addressing fuel poverty and zero emissions objectives?
- How can innovation support attainment of both objectives?
- How can the costs and benefits of the transition be shared equitably?
- What wider changes might be required across the non-fabric drivers of fuel poverty and how can these be progressed?

Outputs

The sub-group will contribute to the qualitative report of ZEST, and inform its recommendations.

**Scottish Government
May 2021**

Zest Meeting 2 (29 April 2021) Paper for item 4.1

Hydrogen

The purpose of this paper is to provide an overview of the Scottish Government's current position on the use of hydrogen in zero emissions heating in housing stock.

1. The Scottish Government has published policy statements on hydrogen in the Draft Heat in Buildings Strategy¹ and the Hydrogen Policy Statement². This note is a summary of information on hydrogen in those papers.
2. Currently, there is no single technology that will deliver zero emissions heating in Scotland; the most cost-effective pathway will require several different approaches. It is important to ensure the option of deploying hydrogen for heat is kept open, fully explored, evidenced and developed but it should not be viewed as the only solution or for near deployment technologies to be ruled out in order to decarbonise our homes. The key low and zero emissions heating solutions available today are heat pumps and heat networks, and early progress must be made deploying them in buildings for which they are the right long-term solution.
3. Constraints in the near-term availability of hydrogen, coupled with a need to establish the standards and safe systems for hydrogen gas use, repurposing of the gas network and replacing household appliances, means that decarbonised gas is unlikely to play a large part in meeting our emissions reduction before 2030.
4. Longer term, hydrogen may have an important role to play and the Scottish Government have made a commitment to keep the option of hydrogen open where it represents a potential cost-effective solution, whilst also making progress with technologies that are ready to deploy in the near term. We will take forward work to understand the potential for hydrogen for heat, including identifying those buildings and areas where hydrogen is most likely to be the best option for delivering our targets. To better understand these issues and to identify strategic areas most and least likely to have access to low carbon or green hydrogen in the future, we will work with a range of stakeholders including network companies, local authorities and delivery partners, as well as drawing on our energy systems modelling capacity and geospatial data. We will begin this analysis in 2021, which will be updated as further evidence becomes available during the first half of the decade.
5. Hydrogen may be particularly appropriate in certain locations, where there is local supply (for example from abundant renewable electricity) or where industrial demand creates economies of scale.
6. Hydrogen is capable of being blended with methane as a fuel for heating. The gas industry is currently testing options for blending hydrogen into the gas network up to a limit that can be safely used in existing appliances.

¹ <https://www.gov.scot/publications/heat-buildings-strategy-achieving-net-zero-emissions-scotlands-buildings-consultation/pages/3/>

² <https://www.gov.scot/publications/scottish-government-hydrogen-policy-statement/>

7. Trials being carried out on the Keele University gas network are aiming to demonstrate that blending at up to 20% by volume in the gas distribution network can be accommodated within the network and used by existing gas boilers and other appliances. Using an increased blend of hydrogen has the potential to reduce carbon emissions from gas use by up to 8%.

8. A more substantial intervention could see 100% hydrogen delivered through new and existing gas networks. This would mean replacing existing appliances with ones designed for hydrogen

9. Alongside other research support, the Scottish Government have already provided £6.9 million funding towards the delivery of the H100 project in Fife: a first-of-a-kind hydrogen heating network proposed by SGN which we believe will be a project of international significance. (See annex below for more detail on the H100 Fife Project).

10. As energy matters are reserved to the UK Government, in order to drive further decarbonisation, including support for hydrogen, the UK Government must expand the scope of the Green Gas Levy,³ or a parallel scheme, and amend gas regulations to allow for greater blending of hydrogen. This is necessary to allow for the progressive reduction in emissions associated with the combustion of natural gas, and to enable the demonstration of 100% hydrogen. Early clarity is needed, by 2025 at the latest, about the future of the gas network in order to deliver hydrogen at scale by the late 2020s.

11. We will work with UK Government on product standards to require all new gas boilers to be hydrogen-ready and on their Hydrogen Energy and Utility Skills programme. This programme will develop a common competency framework for the training, accreditation, and registration of gas engineers working with hydrogen to ensure they are equipped to install hydrogen equipment into homes safely and efficiently.

12. We will support research programmes to undertake analysis, working with industry stakeholders and local authorities, of the particular areas in Scotland and the parts of our current heat system where hydrogen potential is greatest and also which buildings would be most suitable for hydrogen as part of our decarbonisation pathway. In addition we will identify no- and low-regret actions for hydrogen alternatives and target support for the demonstration of Hybrid Hydrogen/Electric heating systems.

13. Research will also be required to accelerate our understanding of the costs of hydrogen systems in comparison to other heat decarbonisation options, both at a systems level and for end consumers. We will define, investigate and review potential barriers to the deployment of hydrogen for heat in Scotland and engage the public in order to raise awareness and understanding of hydrogen.

³ [The Green Gas Levy will fund support for biomethane injection into the gas grid through the new Green Gas Support Scheme. Proposals for this scheme were set out in the April 2020 consultation Future support for low carbon heat. <https://www.gov.uk/government/consultations/future-support-for-low-carbon-heat>](https://www.gov.uk/government/consultations/future-support-for-low-carbon-heat)

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Annex: H100 Fife Project

Case Study - H100 Fife 100% Hydrogen Project

SGN (formerly Scotia Gas Networks) are partnering with other UK gas operators in this project to ensure the delivery of a world-first demonstration of an end to end 100% hydrogen energy system, to evidence the role that hydrogen can play in decarbonising heat, using the gas network. The project will construct and operate a hydrogen heat network system in Fife able to service around 300 houses and will be of UK-wide significance offering an important validation of the evidence base carried out by the UK Government in their Hy4Heat Programme.

The project will connect with the existing ORE Catapult 7MW offshore wind turbine situated off the coast of Leven in Fife to directly supply power to the electrolyser for hydrogen production evaluating the opportunity for grid integration systems between renewables and hydrogen production, and demonstrating the business case opportunities that offshore wind can offer for production of hydrogen at scale.

We have provided £6.9 million in funding support towards the cost of this ground breaking £27.7 million project. Other funders partnering in this project include Ofgem (Office of Gas and Electricity Markets), SGN themselves, Cadent, Northern Gas Networks Wales and West Utilities. The H100 Fife Project is recognised as a key building block in the strategic 'Gas Quality Decarbonisation Pathway' set out by UK gas distribution network operators and adopted by the Energy Networks Association (ENA).

The H100 Fife project is part of a larger phased programme proposed by SGN.

Phase 1 - H100 Fife (the project described above) will enable the decarbonisation of 300 homes saving 662 tonnes of CO₂/annum – only phase 1 is funded at present.

Phase 2 will offer opportunities to expand H100 Fife to 1000 properties providing annual emissions savings totalling 2,208 tonnes of CO₂/annum.

Phases 3, 4 and 5 progressively grow the hydrogen production capability to convert wider domestic, industrial and commercial gas demand of up to 5GWh in the region to eventually reduce emissions by 860,000 tonnes of CO₂/annum.

Zest Meeting 2 (29 April 2021)

Paper for item 4.1

Legislative Approaches to Net Zero Targets

This short paper provides a summary note of legislative approaches for net zero standards for new homes and work planned for reforms to the EPC.

1. The Draft Heat in Buildings Strategy includes a commitment to consider what legislation is needed to meet the regulatory ambitions for net zero buildings, including bringing forward new primary legislation in this area if required, pending further policy development and securing agreement with the UK Government on any necessary devolution.¹

New Buildings

2. Standards for new buildings are set out in building regulations, with detailed requirements for houses set out in the Building Standards Domestic Technical Handbook.² The handbook does not set out minimum standards in terms of an overall level of building efficiency, but specifies minimum performance for elements of the building, such as minimum u-values the components of the envelope (Handbook 6.2.1), or minimum performance standards for the heating system.³ Taken together, this standards ensure that a house build to modern constructions standards would have an energy efficiency equivalent to at least EPC band C.

3. Part 7 of the domestic handbook also sets out additional standards for sustainability. These are not required in new builds but offer a route for developers to gain recognition for higher standards. This section includes standards for buildings in relation to climate change, energy and resource use, to promote more efficient use of energy, fuel and water in buildings. Although not required in new builds generally, some elements of the sustainability standard are included in grant conditions for new build social housing.

4. While new buildings represent only a small part of the decarbonisation challenge, we cannot add any new emissions because of the rapid decarbonisation efforts needed to reach net zero. We will require new buildings, starting with new homes consented from 2024, to use zero direct emissions heating, and also feature high levels of fabric energy efficiency to reduce overall heat demand so that they do not need to be retrofitted in the future.

5. We will introduce a requirement through the 2024 New Build Heat Standard for new buildings being constructed to connect to existing heat networks, when they are located within a Heat Network Zone.

¹ <https://www.gov.scot/publications/heat-buildings-strategy-achieving-net-zero-emissions-scotlands-buildings-consultation/pages/3/>

² <https://www.gov.scot/publications/building-standards-technical-handbook-2019-domestic/>

³ <https://www.webarchive.org.uk/wayback/archive/20160401151705/www.gov.scot/Topics/Built-Environment/Building/Building-standards/techbooks/techhandbooks/dbscgs>

Existing Buildings

6. We will set out and consult on detailed proposals for introducing regulations for minimum energy efficiency standards for all owner-occupied private housing. It is envisaged that these will be set at a level equivalent to EPC C where it is technically feasible and cost-effective to do so. This will apply at key trigger points. We propose to introduce regulations from 2023-2025 onwards, and all domestic owner-occupied buildings should meet this standard by 2035. This brings forward the previously proposed backstop from 2040 to 2035. Where it is not technically feasible or cost-effective to achieve the equivalent to EPC C rating, we propose that a minimum level of fabric energy performance through improvement to walls, roof, floor and windows, as recommended in the EPC, would apply.

7. We will also consult on a regulatory approach for mixed-tenure buildings which would see them required to reach a good level of energy efficiency, equivalent to EPC C rating, where technically feasible and cost effective, and install a zero emissions heating supply by 2040-45.

Private Rented Sector

8. We will introduce regulations requiring private rented sector properties to meet a minimum standard equivalent to EPC C, where technically feasible and cost-effective, by 2028.

9. Plans to introduce these regulations on 1 April 2020 were paused as a direct result of the Covid-19 pandemic. The decision was based on an effort to reduce the burden on local authorities, to ensure the safety of tenants and workers and to reduce pressure on landlords to try to undertake works in their properties at this time, when medical and government advice necessitated social distancing measures. As a result, the regulations were “introduced” to Parliament but not “made”. So the regulations didn’t come into force as planned and in effect ceased to exist.

10. This continues to be the case although there is a clear commitment to bring these regulations back to Parliament when the situation regarding the pandemic allows. We continue to engage with local authorities and COSLA to discuss and develop the local authority role in enforcement. We are also engaging with landlords to let them know of the forthcoming standards and, where they can get help now, through the Energy Saving Trust.

Social Rented Housing

11. See previous meeting’s paper on EESSH.

EPCs

12. Domestic Energy Performance Certificates (EPCs) provide a variety of sets of information, produced as a result of detailed onsite assessments undertaken by Domestic Energy Assessors. EPCs have been a useful source of basic comparable information but the Climate Change Committee⁴ identified that they have extensive issues, including poor quality/low robustness, modelled rather than actual performance and that they do not show benefits of decarbonising electricity or savings possible from smart tariffs. EPCs also do not always incentivise the measures needed to support decarbonisation.

13. To ensure that the energy performance rating included on EPCs aligns with net zero objectives we will reform the EPC assessment process before using it as the standard by which properties will be measured. Through this reform we are proposing to revise the metrics which underpin the EPC, so that they provide information to building owners on measures needed to improve energy efficiency, an appropriate zero emissions heating supply, and the cost of heating following these improvements. We also want these reforms to remove anomalies within the current metrics, which can disincentivise installation of zero emissions heating systems.

13. We are therefore considering reforming the existing EPC so that it includes three indicators as a basis for future standards:

- an indicator for energy efficiency (which will recommend to building owners the measures needed to reduce demand for heat, as appropriate to their building type and fabric; and will also show the measures needed to remove poor energy efficiency for fuel-poor households);
- an indicator for heating emissions (which will recommend to building owners the most appropriate form(s) of heating system to reduce emissions to zero, as appropriate to their building type and fabric, and taking account of wider changes to heat supply in the area);
- an indicator for cost of heating (which will inform building owners and tenants of the impact of the energy efficiency and heat emissions measures on their energy bills).

14. As we reform the EPC system it will be important that it continues to fulfil its original intentions, as well as enabling strengthened action, including as a regulatory tool, on emissions and fuel poverty. As we do this, it will be important to ensure a degree of equivalence for energy efficiency so that the trajectory for energy efficiency improvements required remains broadly the same in the reformed system as we have already proposed. We will consult in detail on proposed reforms to Energy Performance Certificates, which will underpin our proposed regulatory framework, later this year.

Scottish Government
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⁴ [Sixth Carbon Budget - Climate Change Committee \(theccc.org.uk\)](https://www.theccc.org.uk)

Zero Emission Social Housing Task Force (ZEST) – Terms of Reference

The Zero Emissions Social Housing Taskforce (ZEST) is an independent short-life working group convened between April and June 2021, which will look to provide recommendations from the perspective of the social housing sector to the incoming administration after the parliamentary elections. It will also look ahead to the next Programme for Government, COP26 and finalisation of both the Heat in Buildings Strategy and the Fuel Poverty Strategy later in 2021.

ZEST is asked to consider the blueprint for the ideal system that promotes the economic and environmental aspirations for Scotland in the short, medium and long term of the actions required by all parts of the social housing sector in achieving zero emissions homes while maximising the wider social and economic opportunities relating to green jobs and warm, quality, sustainable homes.

Given that new-build housing provides an opportunity to build homes that will be net zero ready and do not need to be retrofitted in the future, to reduce overall heat demand through high levels of fabric energy efficiency, and to greatly scale up the installation of zero direct emissions heating systems, this work will therefore need to focus on how to accelerate change for existing homes. In particular this needs to recognise the specific challenges around decarbonisation of tenements and older stock, and the challenges for those who are in or at risk of fuel poverty.

The work of ZEST is to be guided by the following principles:

- a. ZEST must produce clear messages and there must be a commitment to dialogue where unknown factors persist.
- b. ZEST must support the principles of a Just Transition to Net Zero, including but not limited to tackling fuel poverty and achieving zero emissions targets, and recognising the links with housing affordability.
- c. All parts of housing system will be affected in reaching the statutory net zero targets. Although ZEST work is focused primarily on the role of social landlords for their existing housing stock; it should be assumed that over time all tenures will be impacted.
- d. Practical practitioner input is fundamental.
- e. Solutions should be cost-effective, and the costs of the transition should not fall disproportionately on those least able to pay.
- f. The purpose of ZEST is to help ensure social landlords are appropriately informed in their thinking and investment planning, and that lessons can be replicated at scale across tenures.

Work by social landlords can be a catalyst for stimulating the supply chain as well as creating and protecting jobs and supporting innovations in technologies needed to achieving low and zero emission systems to be deployed at scale. To ensure focused, solutions-oriented work is undertaken, ZEST needs to consider the following framing questions to guide its deliberations and engagement

- 1. What barriers exist to driving forwards a Just Transition to Net Zero in the social rented sector and what is required from all partners to address these barriers?**

DRAFT

- As a number of stakeholders will be impacted differently, it is important that consideration is given to what is required from (a) social landlords, (b) tenants, (c) local and national government, (d) the private sector, and (e) the wider public?
- How can we make it as easy as possible for social landlords to know what to do and to make it happen and how specific advice could be provided as complex decision making will be required where there remain currently significant unknowns?
- What technical and specific guidance is needed for social housing to complement existing sources of information and advice?
- What practical support is needed and how those could be facilitated, such as collaborative procurement, pooling of funding and resources?
- What existing research and experience can we draw in?
- How can we identify technical paths to heat decarbonisation that will meet the needs of areas and taking account of existing work underway such as LHEES?
- What technical elements need exploration, e.g. Cavity Wall; Heat networks; Heat pumps and how those can meet the objectives of a landlords' overall plans to decarbonisation for their stock and tenants?
- Workforce planning – what skills, re-training and staff resources are needed to do the zero emissions heat conversion in the social sector?
- How can we address particular challenges around tenements and older stock (and do we know enough about what those challenges are and whether bespoke approaches are needed or if standard solutions can be made to work)?
- How can we address the particular challenges and opportunities around island and rural housing (and do we know enough about what those challenges are and whether bespoke approaches are needed or if standard solutions can be made to work)?

2. How can all partners come together to ensure funding and finance incentivise and enable a just and fair transition to net zero for the social sector at the pace and scale required?

- How can Scottish Government investment support the transition alongside investment from social landlords?
- What are the options for how this can be financed?
Existing/mainstream and new/novel ideas?
- What other financial levers are required to support all of these through the transition and what partnerships are needed
- How can we create incentives for fabric upgrades alongside the move towards regulating emissions from buildings?

3. What is required to ensure we continue to make progress on tackling Fuel Poverty while achieving zero emission homes in the social sector?

- How can we ensure a just transition, managing to alleviate fuel poverty as we go?

DRAFT

- Which combinations of technologies should be deployed in support of addressing fuel poverty and zero emissions objectives?
- How can innovation support attainment of both objectives?
- What is required beyond fabric improvement and technology deployment in recognition that some of the decisions for the gas network are yet to be made by the UK Government?
- How can the costs and benefits of the transition be shared equitably?
- What wider changes might be required across the non-fabric drivers of fuel poverty and how can these be progressed?

4. How do we maximise the social and economic opportunities in the transition?

- How can social housing stimulate the supply chain?
- What is the bigger picture e.g. what is the role of social landlords in 20 minute neighbourhoods, active travel etc?
- How can we create lots of good new jobs? How can we protect existing ones?
- What do tenants need from the transition?
- How does the transition support local community wealth-building, retaining value locally and increasing local incomes (which in turn supports alleviation of poverty).

Outputs

ZEST will produce a qualitative report, with recommended actions for the Scottish Government to consider and inform its broader strategies and where it will respond to the recommendations made by ZEST. The report will also be used as sectoral evidence to inform the broader finalisation of the Heat in Buildings Strategy. ZEST has the scope to decide who else it would provide its recommendations.

Scottish Government
March 2021