



## Energy Efficiency Standard for Social Housing post-2020 (ESSH2)

### UK Finance response to the Scottish Government consultation

July 2018

#### Introduction

UK Finance is a trade association formed in July 2017 to represent the finance and banking industry operating in the UK. It represents around 250 firms in the UK providing credit, banking, markets and payment-related services. The new organisation brings together most of the activities previously carried out by the Asset Based Finance Association, the British Bankers' Association, the Council of Mortgage Lenders, Financial Fraud Action UK, Payments UK and the UK Cards Association.

In addition to representing residential mortgage lenders, UK Finance members also lend to support the social housing/ RSL sectors across the UK nations. We welcome the opportunity to provide this response to the government's [consultation on a second phase of the Energy Efficiency Standard for Social Housing \(ESSH2\)](#). This response should be read in conjunction with our response to the related [Energy Efficient Scotland consultation](#).

#### General comments

UK Finance and mortgage lenders recognise and support initiatives that could reduce the energy running costs for households in all tenures, including the private rented sector; the owner-occupied sector as well as the Registered Social Landlord (RSL) sector. We recognise also the priority for government to reduce carbon emissions from housing to meet climate change targets.

UK Finance is already engaged with work underway on many of these issues and challenges in Europe and Westminster.

Through our work on a UK national and EU basis, we are keen to see consistency of approaches which should help to minimise the potential for disruption to the operation of the housing and mortgage markets and provide a largely friction free environment for the adoption and implementation of new measures and approaches.

We have no specific comments on the consultation questions themselves. We are broadly supportive of the ESSH2 proposals and standard. However our support is subject to the following comments:

- That there should be sufficient funding streams in place when needed to ensure RSLs can fund and support the necessary works. Funding streams should be such that they are consistent with RSLs long-term business plans and any security requirements should not interfere with security already pledged under existing facilities.
- That there should be a sufficient and appropriate exceptions regime which allows a lower standard and/ or more time for difficult to treat properties
- That any new requirements or burdens on landlords, for example in relation to tenant engagement/ education/ advice on development of projects or how to best use measures installed in an improved home are proportionate and reasonable.
- Similarly, that new data collection requirements on landlords are proportionate and reasonable and not unduly burdensome

- That clarity should be provided about what happens if landlords are unable to meet EESSH2 requirements, and the implications for smaller landlords with a larger proportion of difficult to treat properties.
- On the proposal that social housing stock that cannot be moved up to EPC D by April 2025 should not be let to social housing tenants (unless subject to temporary exemptions), that there would need to be clear strategies in place for managing this. In the event that below-standard social housing stock is disposed of either to owner-occupation or the PRS, this would merely displace the challenge to another part of the sector so that it falls within another part of Energy Efficient Scotland. Given the shortage of housing available for social rent, we suggest there might be merit in consideration of how to improve such stock to whatever higher energy standard it can reasonably achieve, so that it can still be retained in the RSL sector and be available for social rent.
- We would also comment that the proposal for RSLs to report their performance to the Scottish Housing Regulator annually via a short narrative explanation is proportionate and reasonable both for the RSLs and the Regulator.

## Contact

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