UK COLLABORATIVE CENTRE FOR HOUSING EVIDENCE

Transforming social housing through decarbonisation

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Summary

The decarbonisation of the housing stock is a critical step in the journey towards net zero carbon emissions by 2050 and the social housing sector is at the forefront of this transition. Social landlords are investing in improving the energy efficiency of their homes and decarbonising home heating, with funding sources including private finance and central government's Warm Homes: Social Housing Fund (WH:SHF). WH:SHF is committed to awarding £1.29bn by 2027/28. However, decarbonisation is occurring in the aftermath of inflationary pressure, interest rate rises, and a period of regulatory reform intended to improve consumer standards in social housing. Many social landlords are attempting to rebuild trust with customers while expediting their progress to meet net zero objectives.

This briefing presents the combined findings of three research projects focused on English social housing. It aims to understand how social landlords can deliver decarbonisation at scale whilst delivering high levels of customer satisfaction and equitable outcomes.

The research identified several contextual factors that create challenges for social landlords in England, including:

1. Insufficient and fragmented funding: private finance investment vehicles for retrofit are emerging but still nascent, and the funding available from WH:SHF will only go so far. Social landlords are facing pressure on their ability to finance decarbonisation by borrowing against their rental revenues. And some are turning to alternative sources of subsidy with contrasting criteria and specifications, for example ECO 4 funding allows the installation of gas boilers

2. Tight timescales for delivery: tight timescales for delivery under WH:SHF can contribute to reluctance among social landlords to commit to ambitious numbers of heat pump installations, especially where issues in the supply chain make delivery uncertain. The issue is compounded by the release of WH:SHF funding in periodic waves which can exacerbate inflationary pressure

3. Energy systems, capacity and pricing: the ratio of electricity to gas prices is high in the UK relative to other European countries. And landlords reported concerns that the capacity of the electrical grid may constrain their ability to rollout heat pumps at scale

4. Supply chain: while the retrofit supply chain is growing, there remain bottlenecks for certain technologies (e.g. battery storage) and difficulties in rural areas in securing a supply chain with necessary accreditations

5. Legacy of previous housing investment policy and procedures: previous national housing investment programmes, for example Decent Homes, have focused on discrete components such as kitchens and bathrooms. By contrast, decarbonisation is more intensive and requires a whole-house approach that necessitates a transformation in social landlord processes

Emerging out of this context many social landlords are witnessing significant numbers of customer refusals of retrofit, despite research finding that social housing residents reflect the general population in being highly committed to reducing emissions. One social landlord interviewed estimated that one-third of their retrofit appointments resulted in no access to the home. Common reasons for refusals include uncertainty regarding the benefits of retrofit and a perception of retrofit as disruptive. While some refusals are related to issues with their landlord (e.g. lack of trust, poor communication), the research also found that the funding and policy context described above is a contributing factor. For example, the cost of electricity increases the running costs of heat pumps relative to gas, the immaturity of the supply chain exacerbates concerns relating to 'cowboy builders', and tight timescales for delivery constrain opportunities for extensive resident engagement.

Social landlords are responding to these challenges in several ways. They are exploring opportunities to turn low-carbon technologies into a stable revenue stream (e.g. solar PV, heat as a service). And engaging in procurement consortia to ensure value for money, while using their social investment capacity to deliver apprenticeships and training in retrofit. Moreover, social landlords are engaging in strategies to build trust with residents and communicate the benefits of retrofit, including using smart thermostats to demonstrate energy savings, tailoring their communications, and delivering more sustained resident engagement. However, the policy and funding context needs to be conducive to delivering

decarbonisation at scale while supporting this transformation. Consequently, we outline the following recommendations:

- 1. Central government should expand the funding available through WH:SHF and extend the timelines for delivery, to provide long-term certainty for social landlords to scale up their programmes
- 2. Central government should expand the Strategic Partnerships programme for WH:SHF to provide greater autonomy to social landlords over the planning of their programmes
- 3. Central and local governments should provide support to replicate the apprenticeship and training schemes delivered by social landlords in areas where they are absent, and support the development of the retrofit supply chain in rural areas
- 4. Social landlords should review their communications and resident engagement strategies for decarbonisation, ensuring they engage customers early, provide consistent communication across teams, and understand the specific issues affecting different customer groups
- 5. Social landlords should explore opportunities for customers to meaningfully contribute to decision-making and oversight of decarbonisation

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