

The Private Sector Housing Report

**Local councils and the opportunity
to improve private homes**





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Introduction: The UK's urgent need to fix private houses

Improving private housing can help the UK's local councils solve many of their most pressing problems. Cutting greenhouse gas emissions and helping vulnerable people live in homes which are energy efficient and cheaper to heat are among their top priorities. Helping homeowners and landlords to improve the energy efficiency of their homes will be essential if local councils are to meet their net zero targets. However, this comes with huge challenges.

In the UK, **21% of all carbon emissions come from homes**¹, which means they **emit more than all the cars on the road**². Privately owned or rented houses make up 83% of all tenures, according to the **English Housing Survey (EHS)**.³ This means that it is vital to support private sector homeowners to reduce their energy costs and CO2 emissions.

In addition, the population continues to age, and there are more older people needing warmer homes to protect their health and wellbeing. According to the 2021 census, 18% of UK citizens were aged 65, compared with 16% in 2011. The Centre for Ageing Better estimates this will increase to 22% by 2031.

Councils face many problems in achieving these goals through better housing, especially given that the UK's ageing houses are **among the leakiest in Europe**.⁴

To take the pulse of private sector housing in the UK, specialist lender Lendology CIC engaged the Association of Public Service Excellence (APSE) to survey UK local councils about their progress and plans for housing improvement initiatives.

The survey found many local councils recognise the need for supporting the uptake of "retrofit" measures, such as insulation, solar panels and heat pumps, across the private sector. However, some local councils reported that they had not as yet developed plans, or lacked resources to implement plans.



1. <https://energysavingtrust.org.uk/why-we-must-act-now-to-transform-inefficient-homes/>

2. <https://www.housing.org.uk/news-and-blogs/news/englands-leaky-homes-greater-threat-to-climate-than-cars/>

3. <https://www.gov.uk/government/statistics/english-housing-survey-2021-to-2022-headline-report/english-housing-survey-2021-to-2022-headline-report>

4. <http://www.theccc.org.uk/publication/independent-assessment-the-uks-heat-and-buildings-strategy/>

Why retrofitting homes is so important

The UK's Parliament declared a climate emergency in May 2019 and set a legally binding goal of net zero carbon by 2050.

Local councils across the UK have also declared local climate emergencies, and are currently working on their strategic plans for achieving net zero. 95% of the population live in council areas **where a climate emergency has been declared**.⁵

According to the APSE survey results, 90% of local councils have set carbon reduction targets to tackle climate change. However, less than half of those said the commitment extends to private sector housing, and 22% currently have no concrete plans to retrofit private properties.

There is some encouragement in that 37% of councils have existing retrofit programmes and a further 10% are planning them.

Local councils cannot ignore the issues faced across the private sector housing stock and retrofitting strategies are crucial to supporting local councils to meet their net-zero targets and improve health outcomes.

Lack of central government strategy

Nearly all (96%)⁶ of UK homeowners are **concerned about their home's efficiency**,⁷ which is not surprising given the cost of living crisis and ever increasing energy prices. Yet the government's **2022 Energy Security Strategy**⁸ offered little support for improving efficiency in homes, focusing instead on increasing renewable energy generation.

Emma Lower, CEO at Lendology, says:

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A vast number of property owners don't know how to improve efficiency in their homes, nor how to fund it. Even the most environmentally aware find it hard to retrofit their properties because they can't find the right resources.

Local councils have a key role in educating homeowners about what to do, where to turn for impartial advice, how to fund it, and who to trust as a funding partner.”

5. <https://climateemergencydeclaration.org/climate-emergency-declarations-cover-15-million-citizens/>

6. <https://energysavingtrust.org.uk/new-research-finds-96-of-uk-homeowners-are-concerned-about-their-home-energy-efficiency-yet-one-in-five-arent-taking-simple-steps-to-improve-it/#:~:text=New%20findings%20published%20today%20by,energy%20efficiency%20of%20their%20home.>

7. <https://energysavingtrust.org.uk/new-research-finds-96-of-uk-homeowners-are-concerned-about-their-home-energy-efficiency-yet-one-in-five-arent-taking-simple-steps-to-improve-it/>

8. <https://www.gov.uk/government/publications/british-energy-security-strategy/british-energy-security-strategy>



The funding challenges

Lendology's survey shows the biggest barrier local councils encounter in implementing retrofitting schemes is funding. Complex application procedures, not meeting funding criteria, and competing council priorities are the main challenges.

Lending through specialised external partners will be a critical piece of the puzzle to help make more of the available public funding accessible to the millions of homeowners living in poorly insulated properties. It's encouraging that nearly 30% of local councils are considering loans, or a mixture of grants and loans, to incentivise retrofitting.

In-house lending schemes were reported to have been inadequate in the past, with limited scope and resources. Zero respondents in the Lendology survey said an internal loan service would be a preferable way to provide loans. Over 50% would prefer a partnership with an external organisation providing administrative support, including affordability checks, repayments, and regular reporting.

Local councils were equally interested in a full standalone loan service and one that works alongside their housing policy.

The size of the private housing challenge

Data from the 2021-22 **English Housing Survey (EHS)**⁹ highlights the importance of local councils needing to invest in supporting improvements across the private sector housing stock. The social housing sector is much smaller and more static compared to private ownership, which has grown steadily since 1980. Owner occupied housing is by far the largest tenure type at 64%; and private rented houses make up a further 19%.

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But, as these homes are privately owned, change will require action from homeowners themselves, which can be a challenge for councils.

The average standard assessment procedure (SAP) – the government measure of energy and environmental performance – was highest in social sector housing, at 70. Owner occupied dwellings averaged 66, and private rented dwellings 65. Private houses tend to be much older than social housing, and more are detached or semi-detached, so have greater surface areas from which energy can escape.

According to the EHS, owner occupiers tend to be older, and the survey found that 60% are not in employment, so they may have less money available to pay for retrofitting or be excluded from mainstream finance providers.

The Centre for Ageing Better’s **Good Home Inquiry**¹⁰ found that 4.1 million homes fall short of the basic minimum in the Decent Homes Standard, which it called an “abysmal failure”. The problem is most severe in private homes, which house more people aged 55 and over. Older people are also more likely to live in the least energy efficient houses, and pay the most to heat their homes.



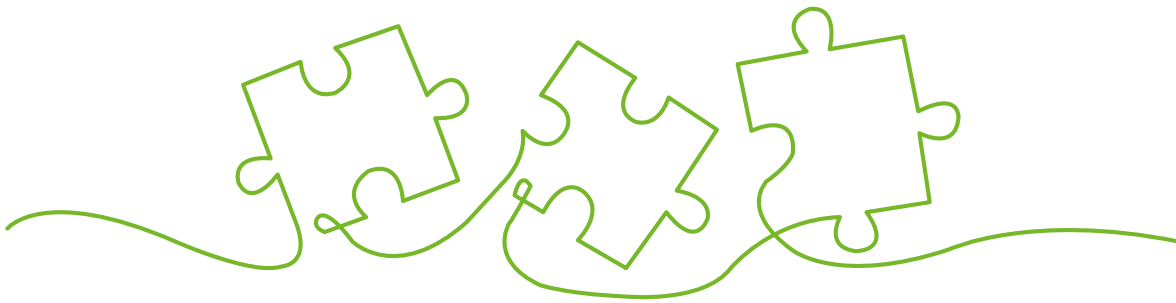
Rachel Monaghan, Programme Manager at the Centre for Ageing Better, says: If owner occupiers and landlords cannot access retrofitting support from local councils, the negative impacts for health, social services and the environment could be extreme. This is why we are calling on support - including access or signposting to information, advice, finance, home repairs, adaptations and energy retrofitting - to be delivered in every local area.

9. <https://www.gov.uk/government/statistics/english-housing-survey-2021-to-2022-headline-report/english-housing-survey-2021-to-2022-headline-report>

10 <https://ageing-better.org.uk/good-home-inquiry>

But, as these homes are privately owned, change will require action from homeowners themselves, which can be a challenge for councils. It will also take a huge investment, and there's no way the UK government will fund the upgrade of all our homes. The money must come from somewhere. So there is a need for more diverse support, with grants for people who cannot afford to make changes themselves, lower-cost loans backed by council funding, and private investment.

"The scale of the challenge is so large, these are all important parts of the financing jigsaw.



The immense task of decarbonising buildings

Work by the UK Green Building Council (GBC) shows the significant challenge the UK faces in decarbonising private houses. The council's **Net Zero Carbon Roadmap for the Built Environment**¹¹ shows how we need to cut the millions of tons of CO₂ produced by buildings to zero by 2050 at the latest.

This will require **retrofitting 1 million homes every year**¹² for three decades, with the biggest chunk in private housing. However, on our current trajectory, we will be nowhere near that target.

Jo Wheeler, Senior Manager, Retrofit and Local Policy at UK Green Building Council (UKGBC) says public awareness of retrofitting is still low. "Most private homeowners don't have the support and advice they desperately need," she says. Few government policies are driving action in the owner occupier sector, and schemes to support owner occupiers are few and far between.

"So we are calling for a national retrofit strategy, delivered at the local level, linked to strong incentives like an Energy Saving Stamp Duty Incentive. This would provide a long-term, revenue neutral, structural driver for retrofitting the UK's owner-occupied homes.

"We also need to promote the multiple benefits of retrofitting – cutting energy use and associated carbon emissions, improving health, and comfort within the home and also boosting the economy and creating local jobs." "We need a massive workforce of retrofitting contractors.

"Public subsidy will be necessary for some as many people will need help to meet the costs of retrofit; but many others would be able to afford it if they could access the right finance mechanisms. So private sector lending initiatives will provide a large part of the answer."

11. <https://ukgbc.org/ukgbc-work/net-zero-whole-life-roadmap-for-the-built-environment/>

12. <https://ukgbc.org/news/the-importance-of-retrofitting-in-advancing-net-zero/>



Let's start measuring

Vickie Hacking, Principal Advisor at the Association for Public Service Excellence (APSE), says there is huge variation in approaches to private sector retrofitting among local councils.

“Some are far ahead, others are waiting to see what works and how,” says Vickie. “They are also holding back due to budgeting pressures and the rising cost of building labour and materials. Plus government funding is based on bids, and councils may not have the expertise and resources to bid and execute schemes, or they may not have political support for it.”

Siloing in central and local council departments can be another barrier.

“Housing covers many areas of council work, and a more joined-up approach between housing, environmental, and health and social care, to look at issues holistically, which could achieve better outcomes” she says.

Vickie Hacking says local authorities can play a leading role on retrofitting and central government could utilise this role by providing funding for councils to undertake and facilitate private sector retrofitting.

“Until they do that, councils will be reticent,” she says. “Another problem is councils hoping that, if they retrofit social housing, that will have a ripple effect into the private sector.

“But that won’t happen for years because, as in many areas, there is not the required skills and capacity in the current workforce to undertake the work. So we also need asset management strategies that highlight the properties that need retrofitting, the type of work required and what is needed to carry out the work. Let’s start counting things.”

The skills shortage is especially acute around newer technologies such as ground source heat pumps.

The older workforce doesn’t necessarily have those specialist skills, and college courses haven’t caught up with what’s required yet,” she says.



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The skills shortage is especially acute around newer technologies such as ground source heat pumps.

Role for “better home hubs ”

Another barrier to retrofitting for homeowners is that they are sceptical about so-called specialists. [Jo Wheeler of UKGBC](#) says: “People are still dubious about technology such as heat pumps, and whether there will be specialists available to fix and service them.”

Part of the solution will be setting up home improvement hubs, where people can get impartial advice and be signposted to information and advice about repairs, adaptations, retrofitting and finance. Some local councils already work with hubs such as the [Centre for Sustainable Energy](#).¹³

The Good Home Inquiry showed people in unsuitable homes generally want to avoid taking on debt. If councils provided information and independent advice on lending, through a hub, that would make it more accessible and give homeowners more confidence in the lenders, contractors, and [long-term benefits of retrofitting](#).¹⁴

Completing the funding jigsaw

Lendology’s survey shows a disparity in how local councils approach funding for private retrofitting.

As the scale of the challenge grows, most councils will need an holistic approach, so lending will play an increasing role.

Lending is a low-resource, high-impact solution. It’s low-risk because lenders do all the work for the council in credit rating and assessments. Councils could also use complementary grant funding to incentivise people to undertake energy efficiency and retrofit works, using existing grant funding streams, and having the loan option to “top-up” grant shortfalls. Through partners such as Lendology, local councils have an opportunity to offer loans with keen interest rates and flexible terms, all managed by an external organisation.

How councils can reduce private housing emissions

Lendology CIC is a social enterprise lender, established in 2003 and working in partnership with local councils since 2005. Providing council capitalised loans to homeowners has ensured that public funds are recycled, as opposed to grant funding.

Originally set up to support homeowners who found themselves excluded from mainstream finance providers, Lendology understands the challenges faced with encouraging uptake of home improvement schemes across the private sector housing stock.

Working closely with local councils to understand the challenges faced in their areas, Lendology provides tailored guidance on policy development to ensure strategic and net-zero objectives are aligned with a lending scheme.

13. https://www.cse.org.uk/?gclid=Cj0KCQiA8t2eBhDeARIsAAVEgaIDBMsZnA-KysXpmnfiSIhpf87rcj86alUiKhnrAohbLoHs2LYceYwaAuFPEALw_wcB

14. <https://www.wwf.org.uk/our-reports/better-homes-cooler-planet>

Case study:

Flexible loans solve many problems for Somerset Independence Plus

Christian Trevelyan, Partnership Manager at home improvement agency Somerset Independence Plus (SIP), helps his local housing authority approve loans through Lendology, then arranges the work involved.

“Lendology are flexible, so there are many ways we can use them, such as helping people on benefits, or with disabilities, or living in below standard accommodation,” says Christian. “These people own their houses but need help to improve them.

“Whenever we identify a problem now, we try to come up with a solution together with Lendology. Recently, this includes a scheme to pay for extra retrofitting work, where grants aren’t enough.”

Can-do attitude

Somerset Independence Plus has built a list of reliable specialist retrofitting contractors. It now wants to build on this work to scale help for anyone who needs it to improve their home’s energy efficiency.

Christian says SIP has a good working relationship with Lendology due to their friendly, flexible approach.

“They are easy to work with and have a can-do attitude,” he says. “They are good with our clients and working with other local authorities. We often meet to chat through new ideas. Whenever we get new funding streams, we’ve always been able to develop a project with them.”

How to build momentum

Christian says some local authorities have good relationships with energy hubs and are bidding for money to develop loan schemes. What’s holding them back is that they need to develop closer relationships with elected members, integrated care boards, and NHS services to demonstrate the link between poorly heated homes and poor health outcomes to build momentum.



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Conclusion: Big problems need imaginative solutions

With high inflation and the current environmental, health and energy crises, we face many challenges as a society.

Tackling climate change and helping older people remain independent at home are high on local councils' agendas.

With the right funding mechanism, homeowners could spread the cost of making their properties more energy efficient or suitable for their needs.

Local authorities are well-placed to support homeowners with their trusted brand and partnership network. Councils have an opportunity to lead and coordinate a local response to catalyse improvements across the private housing.

We are a Certified
Carbon Neutral
Lender
committed to support you
to achieve
Net Zero

To find out more about partnership opportunities, contact [Lendology direct](#). For any questions around the contents of this report, please contact emma.lower@lendology.org.uk.



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