‘One size fits all’ approach to retrofitting nation’s homes risks widening economic inequality in ‘red wall’ areas, Localis report warns

Thursday 21 October, 2021

Failure to factor in huge regional variations in property costs when incentivising homeowners and landlords to retrofit their properties to meet national net zero targets risks deepening economic inequality , the think-tank Localis has claimed.

In a report published today entitled **‘Lagging Behind: energy efficiency in low-viability properties’** Localis urges the government to give serious consideration to the impact of regional variability in house prices and dwelling stock when installing heat pumps to hit decarbonisation targets.

According to the report, in some local authority areas of the north and midlands, the estimated costs of improving home energy are can be around one 25% of property values, while in affluent parts of London and the south east retrofitting with heat pumps represents less than 2% of overall property value.

For example in the red wall constituency of Burnley, where nearly four-in-five dwellings need to attain EPC Grade C standards, standard retrofitting costs of £24,000 are equivalent to a quarter of median house prices of £99,500. However, in the Royal London Borough of Kensington and Chelsea, where median house prices are £1,317,500, retrofitting costs are equivalent to a mere 1.8% of overall property values.

Localis calls on councils, especially in ‘red wall’ areas where property values are low, to collaborate in creating ‘one stop shops’ as joint ventures which would engage with residential landlords to retrofit at pace, and make use of aggregated scale to devise bespoke solution that met local need and personal circumstances.

Other report recommendations include calls for:

- local authorities to come up with local retrofit jobs strategies to make use of skills and supply chain opportunities;
- central government to provide clear and concise information and timelines as well as more readily understood incentives;
- The Department for Business, Energy and Industrial Strategy to frontload the £3.8bn Social Housing Decarbonations Fund Demonstrator to deliver cost savings through acting at scale.

Localis Chief Executive, Jonathan Werran, said: “Without a tailored and localised approach that considers the varying housing economics of each locality, a ‘one size fits all’ approach to funding retrofitting threatens to deepen regional inequality and counter efforts to level up in red wall areas.

“If the challenge of how to effectively support retrofit properties in low value areas is not met, we risk creating a dangerous divide between different parts of the country.”

Ben Beadle, Chief Executive of the National Residential Landlords Association, said: “With a higher proportion of older stock than other housing tenures, the private rented sector has some of the biggest challenges in meeting the Government’s energy efficiency and decarbonisation ambitions. We therefore welcome news that landlords can access grants to transition to low carbon heating.

“We support the recommendation in this report that extra help should be given to owners of low value properties to make it viable for them to invest in energy efficiency measures and urge the Government to act accordingly.”

Propertymark Policy and Campaigns Manager, Timothy Douglas, said: “A ‘one-sized fits all’ approach rarely works in any policy implementation but when dealing with affordability and property this is particularly true.

“When we look at property value against the estimated cost of retrofit improvements for energy efficiency, we see a stark geographical divide making the feasibility of carrying out works required unequal across the country.

“This means that those living in lower value areas will be penalised when they are unable to afford the

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measures needed to bring their homes in line with UK Government targets.

“To avoid regional inequality the research recommends a greater degree of strategic planning by local authorities to develop frameworks to help with affordability and spark local economic growth through collaborative working, developing skills, creating green jobs and utilising existing supply chains.”

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Notes to Editors:

1. **An advance copy of the report “Lagging Behind: energy efficiency in low-viability properties’**
   is available for download.

https://www.localis.org.uk/wp-content/uploads/2021/10/040_LaggingBehind_PRF3_HR_Final.pdf

The report will be launched at an hybrid event to be held from 10.30 a.m. to 11.30 a.m. on Thursday 21st
October in One Great George Street.

For more details and to register your place – click here:

1. **About Localis**

Localis is an independent think-tank dedicated to issues related to politics, public service reform and localism. We carry out innovative research, hold events and facilitate an ever growing network of members to stimulate and challenge the current orthodoxy of the governance of the UK.

www.localis.org.uk Twitter: @Localis

About the NRLA:

The National Residential Landlords Association is the UK's largest membership organisation for private residential landlords, supporting and representing over 90,000 members. The NRLA offers some of the most comprehensive learning resources and market-leading intelligence available in the sector. They work to support their members through a wide range of resources, including access to business information, training, professional expertise, a leading publication and much more.

https://www.nrla.org.uk/

About Propertymark

Propertymark is the leading professional body for estate and letting agents, commercial

agents, auctioneers, valuers and inventory providers comprising nearly 17,500 members. Propertymark is member-led with a Board which is made up of practicing agents and works closely with their members and UK Government departments to advise on housing policy.

https://www.propertymark.co.uk/

1. **Key report recommendations**

Recommendations for local government

In particularly challenging areas, where property values are low and incentives under-funded, neighbouring authorities should work to establish subregional one stop shops as a joint venture, with the shop sitting independently of each constituent authority.

- Developing ‘one stop shops’ to engage with landlords to find suitable methods to facilitate retrofit at pace has been recommended by stakeholders such as the Local Government Association.
- Through an independent and formal subregional structure, local authorities would also be able to act on retrofitting at an aggregated scale.
- Setting up one stop shops as joint ventures would allow authorities to collect and analyse aggregated data regarding housing stock requiring retrofit and designing bespoke solutions in how to accomplish this.
- One stop shops would allow local authorities to better understand the personal circumstances of landlords in the area and better tailor engagement and awareness raising on retrofitting.

In keeping with the government’s skills and further education agenda, as laid out in the Skills for Jobs white paper, **local authorities working collaboratively at a sub-regional level should develop local retrofit jobs strategies.**

- Developing robust strategies that detail the local retrofit context around skills and supply chain opportunities would go on to inform the green skills aspect of wider Local Skills Improvement Plans, announced as part of the Skills for Jobs white paper
- There are a number of tools available for local authorities to use in helping develop these strategies. These tools should be a starting point for neighbouring authorities with the highest proportion of low value properties to develop actionable retrofit frameworks that entails one stop shops as well as skills and jobs strategies.

Recommendations for central government

The forthcoming *Heating and Building Strategy* will aim to help homeowners make the transition to low carbon heating. In order to properly address the retrofit challenge this paper must:

- Provide details of a **localised funding mechanism for retrofit** to help authorities in areas with low-viability housing achieve targets.
- Provide **clearer incentives and long-term clarity on timelines** to ensure retrofitting can be achieved in the private rental sector.
- The strategy must be **coordinated with the planning reforms** and part of a joined-up approach to the nation’s housing stock.

The Social Housing Decarbonisation Fund Demonstrator is a fund aimed at supporting social landlords in retrofitting social housing at scale.

- To ensure broad take-up and to begin reaping the benefits of cumulative emissions savings towards the net zero target, **the full £3.8bn of funding pledged should be brought forward and frontloaded**. This would also help deliver cost savings through enabling acting at scale. retrofit frameworks that entails one stop shops as well as skills and jobs strategies.

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