

Outcomes 2024/25

Unlocking investment to decarbonise Scotland's social housing

The challenge

With over 625,000 social housing properties across Scotland (accounting for approximately one in every four homes) the transition to net zero presents both a monumental challenge and a once-in-a-generation opportunity. Local authorities and Registered Social Landlords (RSLs) are at the forefront of this journey. But to meet national net zero targets, these homes will require extensive retrofitting: integrating clean heating technologies such as heat pumps or heat networks, and upgrading energy efficiency.

The scale of investment needed is significant and cannot be met by the public sector alone. Scotland's social landlords need innovative financing solutions that enable transformation without shifting costs onto tenants.

The solution

To start to address this critical challenge, SFT proposed a suite of investment models designed to help government, RSLs and councils finance the decarbonisation of their housing stock in a practical, scalable, and cost-effective way.

These models were published in the following report: [Financing and Funding the Decarbonisation of Scotland's Social Housing](#).

*"Delivering energy-efficient housing with clean heating systems will not only reduce carbon emissions but also deliver significant socio-economic benefits," said **Toby Tucker**, Associate Director at SFT, who led the development of the report. "Warmer, more comfortable homes can substantially improve health and wellbeing."*

PRIMARY OUTCOME

10

Infrastructure-related carbon dioxide and other greenhouse gas emissions are reduced, supporting Scotland's transition to a low carbon economy



CORPORATE PRIORITIES



NET
ZERO



SUSTAINABLE
PLACES



INCLUSIVE
GROWTH

A collaborative effort to shape practical solutions

The report was developed through extensive engagement with stakeholders across the housing sector. A key takeaway from these discussions was strong support for enhancing the **Social Housing Net Zero Heat Fund (SHNZHF)** a vital tool to make net zero goals achievable for all social landlords.

"The enhanced support we propose aims to provide immediate, practical help to landlords, while laying the foundation for future financial innovation," Tucker explained.

Among the models proposed, the **"aggregator approach"** emerged as the most promising. This model pools public sector capital to unlock additional private investment, reducing overall financing costs. It also simplifies project development by offering a centralised support service for both financing and implementation, essentially a "one-stop shop" for landlords.

PRIMARY
OUTCOME



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Key recommendations from the Report

1. Adopt the Aggregator Financing Model

Use blended public-private investment to reduce the cost of capital and streamline access to finance

2. Strengthen the SHNZHF

Expand and enhance the fund to provide fair and just support ensuring tenants are not burdened by higher rents

3. Clarify Net Zero Requirements

Provide landlords with clearer standards and expectations to plan and prioritise investments confidently

4. Centralise Performance and Cost Data

Create a shared resource containing installation costs, material benchmarks, and energy savings to enable evidence-based decision-making

Sally Thomas, Chief Executive of the Scottish Federation of Housing Associations (SFHA), underscored the urgency of action: *"Reducing carbon emissions and integrating clean heat into our homes is arguably the biggest challenge housing associations face. This report is essential reading."*

"Tenants cannot be asked to foot the bill. That's why strengthening the Social Housing Net Zero Heat Fund is so crucial. We need funding models that enable retrofit at scale, without driving up rents."

SFHA and other partners look forward to working with the Scottish Government to refine and implement the report's recommendations.

Conclusion

This case study highlights how innovative financial modelling, sector collaboration, and targeted government support can combine to unlock investment, transforming the future of Scotland's housing and delivering a net zero future that is **fair, feasible, and fast-tracked**.

