

Agenda – Climate Change, Environment, and Infrastructure Committee

Meeting Venue:	For further information contact:
Hybrid: Committee room 4 Tŷ Hywel and video Conference via Zoom	Marc Wyn Jones Committee Clerk
Meeting date: 20 October 2022	0300 200 6565
Meeting time: 09.40	SeneddClimate@senedd.wales

Private pre-meeting (09.15–09.40)

Public meeting (09.40)

1 Introductions, apologies, substitutions, and declarations of interest

(09.40)

2 Decarbonising the private housing sector – evidence session 3

(09.40–10.50)

(Pages 1 – 66)

Paul Broadhead, Head of Mortgages and Housing – Building Societies Association

Emma Harvey, Programme Director – Green Finance Institute

Matthew Jupp, Principal, Mortgages Policy – UK Finance

Cenydd Rowlands, Property Director – Development Bank of Wales

Attached Documents:

Research brief – Decarbonising the private housing sector

Engagement findings – Decarbonisation of housing

Paper – Building Societies Association

Paper – UK Finance

Paper – Development Bank of Wales



Break (10.50–11.00)

3 Decarbonising the private housing sector – evidence session 4

(11.00–12.00)

(Pages 67 – 85)

Dan Wilson Craw, Deputy Director – Generation Rent

Gavin Dick, Policy Officer – National Residential Landlords Association (NRLA)

Timothy Douglas, Head of Policy and Campaigns – Property Mark

Attached Documents:

Paper – Generation Rent

Paper – National Residential Landlords Association (NRLA)

Paper – Property Mark

Break (12.00–12.10)

4 Decarbonising the private housing sector – evidence session 5

(12.10–13.20)

(Pages 86 – 134)

David Adams, Sustainability Consultant – UK Green Building Council

Gordon Brown MCIOB, Chair of Cymru Member Hub Committee – Chartered Institute of Building (CIOB)

Sam Rees, Senior Public Affairs Officer– Wales – Royal Institution of Chartered Surveyors (RICS)

Andy Sutton, Co-founder and Chief Innovation Officer – Sero

Attached Documents:

Paper – UK Green Building Council

Paper – Chartered Institute of Building (CIOB)

Paper – Royal Institution of Chartered Surveyors (RICS)

Paper – Sero

5 Papers to note

(13.20)

5.1 Decarbonising the private housing sector

(Pages 135 – 152)

Attached Documents:

Letter from the Chair to the Minister for Climate Change in relation to the Committee's inquiry into decarbonisation of private housing in Wales

5.2 The Environmental Protection (Single-use Plastic Products) (Wales) Bill

(Pages 153 – 154)

Attached Documents:

Letter from the Federation of Small Businesses (FSB) Wales to the Chair in relation to The Environmental Protection (Single-use Plastic Products) (Wales) Bill

5.3 The Environmental Protection (Single-use Plastic Products) (Wales) Bill

(Pages 155 – 156)

Attached Documents:

Response from Y Llywydd and Chair of the Business Committee to the Chair's letter of 23 September in relation to The Environmental Protection (Single-use Plastic Products) (Wales) Bill

5.4 The Environmental Protection (Single-use Plastic Products) (Wales) Bill

(Pages 157 – 158)

Attached Documents:

Letter from the Chair of the Legislation, Justice and Constitution Committee to Y Llywydd and Chair of Business Committee in relation to The Environmental Protection (Single-use Plastic Products) (Wales) Bill

5.5 Welsh Government draft budget 2023–24

(Pages 159 – 165)

Attached Documents:

Letter from the Chair to the Minister and Deputy for Climate Change, the

Minister for Rural Affairs, North Wales, and Trefnydd, and the Minister for Economy in relation to the Welsh Government draft budget 2023–24

5.6 The Biocidal Products (Health and Safety) (Amendment) Regulations 2022

(Pages 166 – 167)

Attached Documents:

Letter from the Minister for Rural Affairs and North Wales, and Trefnydd in relation to the Biocidal Products (Health and Safety) (Amendment) Regulations 2022

5.7 Avian influenza

(Pages 168 – 169)

Attached Documents:

Response from the Minister for Climate Change to the Chair's letter of 9 August in relation to avian influenza

5.8 House of Lords European Affairs Committee inquiry into the future UK–EU relationship

(Page 170)

Attached Documents:

Letter from the Chair to Lord Kinnoull, Chair of the European Affairs Committee in relation to the House of Lords European Affairs Committee inquiry into the future UK–EU relationship

5.9 Gilestone Farm – a biodiversity review

(Pages 171 – 193)

Attached Documents:

Correspondence from the Usk Valley Conservation Group in relation to a biodiversity review of Gilestone Farm

6 Motion under Standing Order 17.42 (vi) and (ix) to resolve to exclude the public from the remainder of today's meeting

(13.20)

Private meeting (13.20–13.40)

- 7 Decarbonising the private housing sector – consideration of evidence heard under items 2,3 and 4**

- 8 The Environmental Protection (Single-use Plastic Products) (Wales) Bill – Order of consideration for Stage 2 proceedings**
(Pages 194 – 195)

Attached Documents:

Paper – Stage 2 – order of consideration

Document is Restricted

Decarbonisation of Housing

Engagement findings

October 2022

As part of the Climate Change, Environment, and Infrastructure Committee's inquiry into *Decarbonising the private housing sector*, the Citizen Engagement Team interviewed private landlords and homeowners from across Wales. This paper communicates the findings of those interviews.

Engagement

The Citizens Engagement Team conducted a series of 14 depth interviews during August and September 2022. The objective of the interviews was to gather the views of private landlords and homeowners, to further understand the real and perceived barriers to retrofitting their properties with energy efficiency measures.

Participants

Eight homeowners and six private landlords were interviewed. Participants lived in or rented properties ranging from 200 to 20 years old. Participants came from Torfaen, Conway, Cardiff, Monmouthshire, and Powys.

Participants presented a variety of lived-experience. This included people that work in the building and construction industries; people that have extended their property; and people that have converted their properties.

Thank you to everyone who contributed to the programme of engagement.



Methodology

Interviews were held over the phone, face to face, and on Microsoft Teams. Participants chose the mode of interview most convenient for them. The format of engagement was largely comparable between sessions but varied slightly to meet participants' needs and facilitate an organic, qualitative conversation.

The following questions were asked:

- a. What do you think are the barriers to retrofitting privately owned properties with energy efficiency measures?
- b. What support needs to be made available to overcome the barriers?
- c. What is your opinion on how future schemes could influence and/or incentivise homeowners and private sector landlords to retrofit their properties?
- d. Do you think that the cost of living crisis is/will have an impact on private landlords and homeowners when considering retrofitting their properties with energy efficiency measures?

Participants agreed that the cost of living crisis is the most significant barrier facing landlords and homeowners when considering whether to retrofit their property with energy efficiency measures.

Responses to question e) have been included separately in Section 2: Cost of living

Summary of recommendations

Participants suggested several ideas that they feel will help remove the barriers to retrofitting privately owned properties with energy efficiency measures. Participants also suggested ideas for a more national approach to energy efficiency.

Recommendation 1. An impartial 'one-stop-shop' for information at a national level, which also supplies a local list of trusted installers and facilitates an online forum for homeowners and landlords.

Recommendation 2. Embedding tailor-made advice for individual properties at the start of any building works or upon request through an impartial central information service.

Recommendation 3. A 'country of origin' stamp to be visible on all building materials before purchasing to enable people to reduce their carbon footprint.

Recommendation 4. Financial incentives for private homeowners to retrofit their property with energy efficiency measures, including a reduction or pause in council tax payments or financial support toward the cost.

Recommendation 5. Grants, interest-free loans, and/or subsidies for all landlords and homeowners to retrofit their properties with energy efficiency measures.

Recommendation 6. To enable landlords to claim back the tax on energy efficiency building measures carried out on their rental properties.

Recommendation 7. Welsh Government landlord training to include information and guidance on retrofitting properties with energy efficiency methods.

Recommendation 8. Welsh Government landlord training to encourage landlords to see the business benefits of retrofitting their properties with energy efficiency methods.

Recommendation 9. Research and development into the effectiveness and longevity of heritage materials and methods to support the ageing Welsh housing stock.

Recommendation 10. Develop communal heating systems that supply heat to a number of properties from a common heat source or boiler.

Recommendation 11. Re-nationalise energy assets and re-invest profits to decarbonise the Welsh housing stock and lower energy bills.

Recommendation 12. Wales to generate renewable energy through marine technology.

1. Barriers to retrofitting privately owned properties with energy efficiency measures

Cost

1. All participants agreed that, once the cost of living crisis passes, general cost is the most significant barrier to retrofitting privately owned properties with energy efficiency measures.

Cost is most certainly the biggest barrier. The heating system that is recommended now is the air source heat pumps, well the cost of those is just horrendous. They're about five times more expensive than the most efficient gas boilers at the moment. So there's no way I could afford that for my tenant or myself.

We considered new windows. Some of the windows had blown and the double glazing wasn't great. All of a sudden you're talking £10,000 to £13,000. So we replaced one or two because we simply couldn't afford it.

If there's no benefit to me personally and it's not reducing my heating bills then it's not in my interest. I'd love to have an eco-friendly house for all of my tenants, but it comes down to cost.

2. Participants also spoke of the barriers they face in deciding which energy efficiency methods to purchase when considering the budget they had available.

We had great big voids underneath the wooden floorboards which we could fill with concrete, it could be done quickly and cheaply. We stripped out all of the radiators and put in underfloor heating throughout, with concrete filling the void. That was far more affordable and cost-effective than a £20,000 finance package to put solar panels on the roof.

We've put in a new boiler and foil-backed insulation, which was £60 a board instead of £40 a board. We could afford that increase in price so that was fine. But then it all starts adding up. I had to think about whether we could still have the solar panels on the house. The roof was old and needed re-roofing. Then I'd have to think about the start-up cost of the panels, the maintenance, and everything else. It would have been around £40,000. So I had to scrap the idea, which was a massive shame.

3. Landlords illustrated the cost-to-benefit barrier they consider.

Considering the tax I pay, and the mortgage I pay without any tax relief, the money I actually get back from the rental is quite low. I operate as a private limited company and so I'm also paying corporation tax. So where I might be charging for example £1000 a month, I actually only get about £500 after taxes etc. and then I have to keep that for a rainy day in case I have repairs. This month I had £600 worth of repairs on one particular property. I've got to make a profit.

- 4.** Many participants argued that placing the financial responsibility for decarbonising the private housing stock solely on the private landlord and homeowner is a barrier to decarbonising the housing stock, rendering it unachievable.

It's clear that the government want to be seen trying to make everyone carbon neutral, but they have got absolutely no idea how to achieve it without homeowners picking up the bill. Which, by the way, we're already picking up the bill for everything else.

Incentives and subsidies

- 5.** Participants considered how homeowners and landlords could be incentivised and subsidised to encourage them in decarbonising their properties. Some participants felt that a lack of Government financial support is a barrier to achieving the decarbonisation objective.

The only way I would consider retrofitting my rental property is if I could recoup some of the funds. Being a landlord is about being a business.

Any initiatives where there's been a requirement to upgrade buildings, there's always been government support. So after the second world war, there was massive government support to upgrade buildings. If the Government really want us to upgrade buildings to be energy efficient then they need to have a comprehensive policy and not just target easy wins, such as homeowners or putting pressure on landlords.

- 6.** However, participants were concerned that subsidies would not be effective or available to them.

Means testing models are 20-30 years out of date! They've got no idea what it costs.

In the properties that I rent, when I renovated them I kept the old boilers as they were still up to standard, but they're not great. Had there been a

scheme to help with say 50% of the cost, then I would have put in new boilers. I know that there are schemes out there but I don't think they're available to me.

- 7.** Some participants were concerned that regulation would be created to force homeowners and landlords to decarbonise their properties.

You can't force people to retrofit their property. If someone is living in a house that, when they bought it or when it was built, matched all existing building regs, you can't turn around and move the goalposts and force people to meet new requirements. You will end up with people not being able to pay.

As a landlord, I would find it very difficult if there was a stick and no carrot. If you said to me 'your boilers have to be of a certain standard by 2025', I would work it out, but I think some landlords might find it difficult because they won't have the money to do it. But if landlords aren't pushed to change, would we change?

Accessing information

- 8.** Some participants agreed that information about retrofitting properties is available. However, all participants agreed that the information is not easy to find.

I know all the information is out there but because it's not all in one place it's very difficult to make decisions in the end. I didn't easily come across the information.

- 9.** Participants went on to illustrate the barrier faced in understanding the information available and applying that information to individual properties.

...it all has to line up with what you know, what you can afford, what type of house you've got, and what you can do to that house. There are so many problems to overcome, and the problems are individual to you and your house.

Unless you've got a very specific skill set and have experience in building you might struggle to understand what's available to you and what would work for your property. There's not enough support out there to help people understand the options available to them.

- 10.** Landlords agreed that more could be done to inform them of retrofitting methods, particularly considering the existing training.

There's no information out there about the energy efficiency things I could do. I've never been approached as a landlord with information on it. As a landlord I have to take part in the Welsh Government landlord training course, we have to do exams and make sure our properties have everything they need, like alarms and so on. But I don't know much more than putting in energy-efficient bulbs.

Accessing impartial information

11. Participants agreed that the information given by companies selling energy-saving products is generally not trustworthy due to the company's objective of selling its product.

There needs to be transparency. I don't want a salesman coming to my door telling me his product is the best thing ever. I want real independent advice and real transparent information.

I'm a retired trading standards officer. I had to enforce consumer legislation and deal with complaints about shoddy workmanship. In my opinion, you can't normally get independent and impartial advice from traders...because they want the job and want to get money from you. I don't know of any agencies that give impartial advice on home improvements. It's always traders that come out to give you advice but there's obviously vested interest in getting the business that could make the advice not impartial.

12. Participants went on to illustrate the need for reliable and independent information to understand actual energy savings and make financial decisions.

If I knew that I could put solar panels on the roof and it would save me x amount of money, I'd probably do it. But there's no knowledge to prove that. I don't know anything about it, more than a salesperson would tell me. Nobody independent tells you anything

The trustworthiness of information is a big barrier. Had I not worked for a bank, financing solar panel loans, I would have gone straight to solar panel companies to come and give me quotes. I might have ended up with a big finance package for panels that don't really suit my house.

Workforce barriers

Lack of expertise

I work in the building industry and, with the exclusion of improving your loft insulation, updating your Windows, or insulating the walls, general builders certainly aren't aware of retrofit products.

13. Nearly all participants spoke of a lack of expertise within the building industry. Most participants agreed that general builders, on the whole, don't have the necessary industry knowledge to advise on retrofitting properties.

There's not enough understanding about the methods out there. The builder who did our extension had no knowledge at all about energy efficiency retrofitting, none at all. And I don't know of any builders who have that knowledge.

Lack of workforce

14. Almost all participants think that the workforce needed to retrofit rental properties and private homes across Wales is not available.

Building companies at the moment are already flat out. They can't fit you in for anything. If you want extensions and loft conversions, then there are waiting lists of up to 9 months. As all of these building companies are already snowed under, I wonder where the government is going to find companies to come in and retrofit what amounts to millions of properties. You don't have the workforce here to do it. It would probably take decades.

To be able to do all the houses in Wales, this job is huge. This is akin to literally training an army.

One size does not fit all: The right methods and materials for the right property

15. Participants described how energy efficiency methods for one building, location, homeowner, or landlord may be different from another even if the property is similar.

A lot of solar panels perform poorly because of really basic things like seagulls nesting under the panels and knocking them out of place or people living in bungalows with big trees in their gardens restricting the sunlight.

16. Participants felt that not having certainty that a specific method would work for their property was a barrier.

I worked for a bank on a solar panel project. I analysed whether solar panels were affordable and if they paid for themselves over a certain amount of time. So for a finance package over ten years, how much energy did they generate over those ten years and was the customer in a position where they were generating their own money? Probably about two-thirds did, which isn't a great percentage.

- 17.** Some participants gave examples of ineffective methods and materials being suggested or used, illustrating the barrier faced when understanding the right approach for a property.

About 15 years ago there was a scheme where they went around and pumped polystyrene beads into the cavity walls of terraced houses. The cavity walls aren't capped at the top, when they pumped it in it just flew out the top, so you've Beddau swimming in polystyrene beads! Then you needed a whole new industry to remove the beads from all the houses because it was causing damp. That cavity was there for a purpose, it does something, it was an air barrier

Ageing housing stock

Modern methods are fine in a modern building, but if you've got stone walls modern methods won't work.

- 18.** Some participants think that the best methods and materials are not always used when retrofitting the ageing Welsh housing stock to ensure longevity.

I can't get my head around the attitude of people who think "well, it'll be ok for 10 or 20 years", I don't want to pass that mess down to my children. There's a saying, "wise men plant oak trees they know they'll never sit in the shade of".

- 19.** Many participants feel that this is a barrier to retrofitting private properties, as poorly chosen methods can result in damage to the property which then requires remedial work.

We know of a builder who does remedial work on houses in the South Wales Valleys. He literally spends his life undoing all the damage that's been done. I think about all of the houses that were rendered about 30 years ago, just sprayed in cement. There are going to be a lot of problems starting to show up.

New homes under 20 or 30 years old have a cavity, use a vapour barrier, and Kingspan. and that's fine. But that isn't the case in most of Wales. Water gets behind the cement render and can't escape. You'll never stop the ingress of water, it will find its way in so you have to give it a way out.

20. Most participants agreed that successful decarbonisation requires a more holistic understanding of housing stock and more carefully considered methods and materials to suit the age of the property.

What we've got in Wales, to my knowledge, especially in the valleys, are a lot of old houses. They're built from stone and initially had lime mortar in them. Unless you use the right methods for insulating solid walls, you will do more damage than good. So, if you want to insulate every home in Wales you have to look at heritage methods if you don't want to damage the buildings. Because most people are essentially living in heritage buildings.

Lack of trust

21. Several participants said that a lack of trust, in relation to information and policy implementation, is a barrier for them when considering retrofitting their property with energy efficiency measures.

The biggest barrier, as a landlord or homeowner, is trust. That's the big one. I wouldn't trust a word anyone said, I wouldn't trust any of the government leaders. They all say x,y,z and a,b,c comes out of the envelope. I don't think any landlord would trust a word the government said unless a check fell onto the doormat

2. Cost of living

If there was the tiniest glimmer of hope that people could have retrofitted their homes then the Cost of Lockdown Crisis smashes that into dust.

22. Participants felt that the cost of living crisis is the most significant barrier to retrofitting properties with energy efficiency measures. They described their fears for their financial security.

People want to make their homes energy efficient. They want to pay less for their energy. We all live on this planet and want to look after it. But you've got to deal with first things first. If you can't afford to keep your house warm or pay your food bills, how is retrofitting ever going to be a priority?

The cost of living crisis will devastate any kind of energy efficiency programmes or policies. I don't think it would matter to anyone because of what's on their doorstep right now.

23. Participants illustrated the anger they feel at the situation and the idea of financing a decarbonisation project on their property at this time

The government is living in a dreamland if they think they can rely on people's social conscience! Homeowners are struggling to do anything for themselves, there's no spare cash. It's not going to happen.

Everyone is worried about how they are going to feed themselves and take care of their children's future. It's not about how I achieve a touchy-feely policy for the government out of my pocket.

This will hit working people the hardest. The people who have a couple of hundred pounds left at the end of the month, who won't get any help from anyone. So to think the government will say "now we want you to look at retrofitting your house", I don't think so.

24. Some participants described the choices they will consider to ensure that they can continue to pay their bills.

I'm going to have to find money or change my lifestyle so that I can heat my house to the same level as I've done in the past. I can either do a lifestyle change and take the money I spend elsewhere to meet the cost of the higher bills or I can decide not to heat my house to the same level. But I'm 70 years

old so I don't really want to think about the second alternative, I want to keep my house heated as it has always been.

Increase in cost of labour and materials

25. Participants described how the increase in the cost of labour and materials, due to the cost of living crisis, is a further significant barrier to retrofitting a property.

I've recently renovated two of my properties, one property in May 2022 and one that I finished in May 2021. It probably cost 25% more for this year because of the cost of living increase.

Building products are generally two or three times the price of what they were two or three years ago. If parts, labour, and everything else keep increasing, then it doesn't matter what scheme is put in place because you can add 20% onto the original cost that the scheme was going to initially cover.

3. Overcoming the barriers to retrofitting privately owned properties with energy efficiency measures?

Participants suggested several ideas that they feel will help remove the barriers to retrofitting privately owned properties with energy efficiency measures. Participants also suggested ideas for a more national approach to energy efficiency.

Access to relevant, impartial, and timely information

Recommendation 1. An impartial 'one-stop-shop' for information at a national level, which also supplies a local list of trusted installers and facilitates an online forum for homeowners and landlords.

It would be useful to have an advice or helpline for people where an expert was at the end of the phone to advise on what is currently available and how to go about this type of work. It could point people in the right direction to tradesmen and companies in their areas who can do the work. There are lots of accreditation schemes in the home improvement industry. But advice from a trade association who can give impartial advice about the traders who can do the work might be helpful.

I asked to subscribe to a landlord's forum, the council told me that the forum hadn't been active for about four or five years. I thought the forum was a great idea, somewhere where landlords can talk to each other about their ideas and find out about schemes. But that doesn't seem to be available anymore. It's an idea that might be worth pursuing.

Recommendation 2. Embedding tailor-made advice for individual properties at the start of any building works or upon request through an impartial central information service.

I would have liked to have seen information whey back at the start of the process. When you apply for planning permission, get architects' plans drawn up, and your project or house is being designed, there should be some kind of responsibility for them to tell you about the things you should consider in terms of energy efficiency.

I'm not for people with clipboards coming onto your renovation, but we need each individual building to be assessed before any work starts, to let the homeowner know what can be done with their building and give them the pros and cons of all the techniques and methods. So people can know the best approach for their building.

I would have liked some independent advice and information to talk about my options. Even if it was a cost of £50 to be sent an energy efficiency report for your house. Having something in place that says "you have to do this if you want your property to be as energy efficient as possible" would have been helpful. Even if I wasn't happy with the guidance it would have been helpful to know what I needed to do.

Recommendation 3. A 'country of origin' stamp to be visible on all building materials before purchasing to enable people to reduce their carbon footprint.

The one thing that I was very aware of is that there was no information about where the materials were sourced from. For example, wall tiles, when you look into it they were all made in Italy or Spain. But there was no labelling to help me choose whether I wanted to reduce my carbon footprint or not by buying locally made materials. I could only find out where material came from when I looked at the boxes after they were delivered. It's a bit late then.

Effective financial support for all

Recommendation 4. Financial incentives for private homeowners to retrofit their property with energy efficiency measures, including a reduction or pause in council tax payments or financial support toward the cost

If I were to be optimistic I would say that if you wanted to carry out this work, you would need a partial financial commitment from the government, 50/50 for example. Or 5 years off paying your council tax. It's that sort of level of paying people back that's needed.

Recommendation 5. Grants, interest-free loans, and/or subsidies for all landlords and homeowners to retrofit their properties with energy saving measures.

I would have considered an air source heat pump if there had been a grant available. When the work is five or six times the cost of the alternative, there's

no way I would have even thought about it. But if a grant brought the cost down to 30-50% more than the alternative I would have considered it.

The boilers in my properties are all less than 10 years old. There will be a point when they need replacing. When that time comes I could be putting in more efficient boilers. But landlords and homeowners will go for the lower-cost boiler, the boiler that their budget allows. That's not necessarily the more efficient boiler. So maybe we need a scheme to help everyone when they need to replace their boilers or windows, to afford the most energy efficient option.

Recommendation 6. To enable landlords to claim back the tax on energy efficiency building measures carried out on their rental properties.

Maybe if there was an incentive off the taxman I might reconsider. Because, years ago, whatever you spent on your property you could get back through tax.

The way that the government can get private landlords to put energy efficient heating and solar panels, and so on, in their rental properties is by offsetting through tax so that you get the money back from the taxman.

Engaging and informing landlords

Recommendation 7. Welsh Government landlord training to include information and guidance on retrofitting properties with energy efficiency methods.

The landlord training is said to take 7 hours, and there are refreshers. This is an opportunity to share information with landlords. The training is invaluable and you have to do it to operate legally. So if Welsh Government have this in place, then use it to share information and let landlords know about the hidden benefits of retrofitting.

Recommendation 8. Welsh Government landlord training to encourage landlords to see the business benefits of retrofitting their properties with energy efficiency methods.

Maybe we need to frame the benefits of retrofitting to landlords differently and show them how it would benefit them. At the beginning of this interview, I said that there was no benefit to me in retrofitting my property. But thinking about it now, wouldn't it be great to say, here's a property for rent with no energy bills! Tenants could produce their own energy through solar panels on

the roof. I've not thought of it like that before. It would be a good selling point. I'll definitely look into that. I would never have thought about this as an opportunity if I hadn't been talking to you.

Information is fed to landlords but it should be more about ideas and the hidden benefits of retrofitting. This isn't just about spending money on solar panels. This is about a whole new way of treating your tenants and giving them the benefits so that they actually want to stay and rent from you for the next 20 years. The benefits to the landlord are that you have long-term tenants and so don't have the hassle of advertising, cleaning, losing months of rent whilst advertising etc. Those hidden benefits are really valuable and a think tank should really look into this for landlords.

Development of materials and methods for longevity

Recommendation 9. Research and development into the effectiveness and longevity of heritage materials and methods to support the ageing Welsh housing stock.

There needs to be more research into the different types of insulation and the outcomes of using different materials so that you know about the long-term results of using the different techniques and materials in different buildings. We retrofitted using cork. It's a cork panel stuck on with lime and diatomaceous earth render. On top of that, it's lime and hemp plastered. The point of lime is it's breathable. So the idea is that the lime in the wall is sacrificed not the stone. The lime is softer than the stone. Water vapour can ingress and egress.

I think we need to be looking at more natural materials. Hemp could be the solution to a lot of our problems. It grows fast, it can be used for fuel, building, paper, and so on. The government need to think about all the different methods and materials out there.

Communal heating systems

Recommendation 10. Develop communal heating systems that supply heat to a number of properties from a common heat source or boiler.

I'd been looking at the idea of a gasifier for months. Cwm Colliery used to gasify its coal. I phoned my Dad and asked what was the gas, he told me it was town gas. This technology is 150 years old. When they first started

supplying communal heating and energy supply to people, that's what it was. You had a local gasifier that would gasify coal or wood and it would supply a certain number of properties.

I believe that Germany leads the way with gasification. In Germany, they tend to live in multi-story, multi-generational housing. They'll have a 25 or up to 40-kilowatt gasifier in the basement that's pellet fed. They have a hopper on top and they fill the automated system with pellets that run an engine. You could have a local sub-station for your electricity at the end of the road, a local distribution. This would provide combined heat and power (CHP).

I rented a place in central London. It had a huge boiler underneath it and we didn't have to pay for our heating at all. My rent was a tiny bit higher, but when I moved to the next place, I had to start paying for heating and it was a big, big chunk of money.

Re-nationalise energy assets

Recommendation 11. Re-nationalise energy assets and re-invest profits to decarbonise the Welsh housing stock and lower energy bills.

It was a monumental mistake privatising everything because now we have no control. What should happen is that energy is re-nationalised. Then the subsidies that are paid into all of these companies, that end up in shareholders' pockets, can be diverted to energy bills so you've got a bit of spare cash and could retrofit your house.

Natural resources should be taken out of the hands of the private sector and be managed nationally. It's a public resource that has been mismanaged. There should be one national supplier. Also, in the supply chain, the extraction companies are making a huge amount of profit, but we're paying down the line for that. So it's not just about nationalising the delivery but about nationalising the extraction. If these big companies and their shareholders are making so much money out of it, why aren't we re-nationalising those products and using the products to change to more renewable energy and invest in infrastructure?

Wales to generate its energy

Recommendation 12. Wales to generate renewable energy through marine technology.

I recently had to research tidal energy. When I started looking into it, my blood would boil every time the news was on or I heard a politician or activist talking about being green. People only talk about wind turbines. We are virtually the Saudi Arabia of tidal energy. In the Severn, we have the second largest tidal rise and fall on the planet. We could almost feed ourselves with energy with tidal energy. Twice a day, every day, the tide would provide energy. Tidal is the answer and people seem to be wilfully ignorant of this.

If the government are asking questions about, how do we make Wales more carbon neutral? Then why did they shut down plans for a tidal lagoon in Swansea and a barrage across the Severn? It just doesn't make any sense.

You've got an estuary that's in the top ten largest tidal ranges in the world which would have provided clean and renewable energy. The initial budget was £11 billion, even if they went five or six times over budget it still comes under the £90 billion nuclear power station budget. The barrage would have paid for itself, generated completely clean energy, and had no nuclear risk. And it would have produced more energy than the nuclear reactor did by their initial projections. How do they shut a project like that down? Perhaps the Welsh government could explain to me why they turned down a tidal lagoon in Swansea?

Pwyllgor Newid Hinsawdd, yr Amgylchedd a Seilwaith / Climate Change, Environment and Infrastructure Committee

Datgarboneiddio'r sector tai preifat / Decarbonising the private housing sector

DH2P_13

Ymateb gan Cymdeithas y Cymdeithasau Adeiladu /

Evidence from Building Societies Association (BSA)

Introduction

The Building Societies Association (BSA) is the voice for all 43 UK building societies, as well as seven credit unions. Three of these societies are headquartered in Wales (Principality, Monmouthshire and the Swansea), with others providing branches in Wales. Together these organisations serve almost 26 million customers up and down the length of the UK.

Most building societies lend on properties in Wales. They have a strong interest in good quality housing, which includes ensuring these properties are energy efficient, with a fabric-first approach.

A number of building societies already offer green mortgages and green further advances. The latter will be most pertinent to the retrofitting of properties already owned, providing affordability assessed finance to fund up-front retrofit costs.

Actions the Welsh Government should take to progress a programme of retrofit for these sectors in the short, medium and long term;

There are a number of steps that should be taken to help create a stable environment for a retrofit programme.

Short Term

Firstly, a long term (multi-year) plan is needed, which is joined up across government departments and local authorities. This must be clearly communicated to consumers, so that those who are able to pay are clear about any available support and everyone is clear about what needs to happen by when. Any support should focus on a 'fabric-first' approach to ensure that homes do not leak energy. This is generally more affordable for consumers than investing in new technologies, such as heat pumps, and can have a bigger immediate impact on energy bills. The plan should also take into account those homes which are off-grid and tend to be in more rural areas.

The Welsh Government is already trialling a number of projects. The BSA is partnering with the Green Finance Institute. They recently announced a partnership with the Greater Manchester Combined Authority to deliver place-based approaches to retrofit. This could be a model for the Welsh Government to consider.

Medium Term

In the medium term, there should be a focus on quality and standards in the supply chain. We are aware that the Welsh Government supports TrustMark and retrofit providers should be encouraged to register for TrustMark accreditation in order to access Government funding. However, lessons should be learned from the rollout of the Green Homes Grant, which created a barrier to customers finding suitable tradespeople given the time it takes to achieve Trustmark accreditation.

With all of these steps, there is a balance to be achieved between the speed of decarbonisation and the cost of decarbonising homes. Plans should recognise that owner-occupiers are individuals and will make their own decisions for single properties. With the current cost of living crisis, the up-front cost has assumed far greater significance, in balance with rising energy costs.

The key challenges of delivering a programme of retrofit within these sectors, including financial, practical and behavioural, and action required from the Welsh Government (and its partners) to overcome them;

Consumer understanding

Consumers are often unsure of what steps to take to decarbonise their home specifically and who to trust to carry out the work. The Green Finance Institute (GFI) has produced a handbook for lenders to explain the different technologies currently available. We are now working with the GFI, UK Finance, the Association of Mortgage Intermediaries and others to produce a broker handbook for mortgage intermediaries on the same topic. This is important, as around 80% of mortgages are distributed via intermediaries. Ultimately a variant for consumers will also be produced.

Consumer financing

In terms of funding, there are an increasing number of green mortgages and further advances available, to either fund decarbonisation works or which reward a better Energy Performance Certificate (EPC) rating. But many consumers are still unaware of these products and this is a new product area for many lenders.

The BSA carries out a quarterly Property Tracker survey tracking consumer sentiment. In September 2021, we asked questions around energy efficiency and have results using data from Welsh respondents. The majority had not considered making any energy efficiency improvements to their home (63%). The biggest barrier to making homes more energy efficient was meeting the initial upfront costs (60%), followed by it taking too long to recover the initial costs (52%) and uncertainty about the savings that can be made (46%).

Energy Performance Certificates

The UK Government sees the mortgage process as a potential vehicle for creating 'nudge' incentives for consumers to buy already energy efficient homes.

We have contributed to a number of relevant trials in this area. We, along with some of our members, including Principality, contributed to the LENDERS project seeking to better reflect household energy costs in mortgage applications.¹ Monmouthshire Building Society is participating in the VALUER project with Sero Homes, RICS and RightMove which is exploring the links between energy efficient homes and property values². The Monmouthshire Building Society is also part of the Optimised Retrofit consortium, along with the Hinckley and Rugby Building Society and Sero Homes.

We have a number of concerns: In particular, incorporating the EPC into the mortgage process in the way LENDERS suggested would not provide the behavioural nudge the Government is looking to achieve, as most borrowers do not take the maximum loan amount available to them.

Mandating a minimum EPC standard for homes carries risks with it. These include the risk of stranded assets being created as, if work to reach a certain EPC level is unaffordable, people may be trapped in a home and may be at risk of negative equity or becoming mortgage prisoners. It is essential that lenders are able to support those with energy-leaky properties to retrofit them and are not penalised for holding mortgage books that include a range of EPC ratings. Achieving a fair transition to net-zero is essential for society.

There are also concerns around the accuracy of EPCs and the gap between predicted energy use and actual performance. The energy efficiency rating in the EPC can penalise some green forms of energy, such as heat pumps and bio-fuels for those off-grid due to the comparison of fuel bills. We are aware of off-grid consumers being advised to adopt higher carbon fuels like oil as these can perversely improve an EPC rating.

¹ https://www.ukgbc.org/wp-content/uploads/2017/09/Lenders_Core_Report_1.pdf

² <https://sero.life/press-room/consortium-wins-welsh-government-funding-to-retrofit-1300-homes/>



Date: 22 August 2022

Sent to: SeneddClimate@senedd.wales

UK Finance is the collective voice for the banking and finance industry.

Representing more than 300 firms across the industry, we act to enhance competitiveness, support customers and facilitate innovation.

We welcome the opportunity to provide evidence in response to the [consultation](#) by the Climate Change, Environment, and Infrastructure Committee on decarbonising the private housing sector.

Summary

1. The UK mortgage industry is committed to greening UK housing and supporting the just transition to net zero for both private rental and owner-occupied homes.
2. The development and provision of green finance to aid homeowners in improving the energy efficiency of their properties has already begun. We anticipate that the mortgage lending sector will continue to ensure greater provision of mortgage finance in the future. This will encourage greener home ownership and investment in rental properties as well as the financing of green retrofitting and home improvement.
3. In their consultation last year BEIS outlined proposals for lender disclosure of EPC data and voluntary target setting on the greening of mortgage portfolios which would cover the whole of the UK. Lenders are keen to ensure that the best data possible is available and used to underpin policy making and is prepared to work with other stakeholders to make sure this happens.
4. The mortgage industry also has a part to play in increasing customer education and awareness on how to be a responsible green homeowner or landlord and is keen to work with stakeholders across the housing and energy industries to ensure joined-up messaging. More broadly we are willing to work with and encourage all stakeholders to create a greener, innovative UK housing market and ensure that there is a clear pathway to net zero with all the necessary measures to enable this in place.
5. Mortgage lenders have an important role to play but cannot be solely responsible for resolving societal issues or ensuring homeowners make changes to properties, not least because a significant portion of properties in the UK do not have mortgages. We want to see clear policies in place so that we have a roadmap for greening UK housing and reaching net zero once current energy efficiency ambitions have been reached.

6. This policy environment needs to include:
 - a. Collaboration on a large-scale consumer education and communication campaign involving all stakeholders – public and private - in the housing market driven forward by the government
 - b. Collaboration in development of high-quality EPC and environmental housing assessments covering both energy efficiency and actual carbon footprints for all properties, updated and published on a more frequent basis and which reflect property improvements in a cost-effective way
 - c. A large-scale increase in the amount of appropriate, good quality and cost-effective retrofitting and energy system installation available to consumers
 - d. Meaningful, comprehensive and long-term public funding and support for property owners who are unable to access other funding sources
 - e. The use of government measures which incentivise improvements for all property owners, including but not limited to tax incentives
 - f. New build housing built to net zero standards to draw a line in the sand without any reduction in build quality.

7. It is vital that we get this right. An improvement in the energy efficiency of homes in the near future will have cost implications for both landlords in the rental sector and homeowners. These need to be considered fully by government, regulators and lenders to avoid any unintended consequences.

8. We must have a just transition that ensures no-one, whether landlord or owner-occupier, is left behind and unable to green their property to the required standard and facing negative consequences for this failure. To ensure this homeowners need to be supported and there needs to be action taken to address a range of concerns that dampen demand.

Consultation questions

We have provided these comments/ responses to the issues on which the Committee particularly requested views in its consultation. In doing so, we expect policymakers will have regard to and build on the findings and key actions recommended in the [2019 Better Homes, Better Wales, Better World report](#) to Welsh Ministers on decarbonising existing homes.

The current approach to decarbonising housing in the private rented and owner-occupied sectors in Wales, including the effectiveness of existing programmes and support for retrofit

Retrofitting to reduce the carbon impact of privately-owned homes whether in the rented sector or the owner-occupied sector is potentially more challenging for policymakers as there is not the equivalent direct leverage of grant funding/ regulation that exists in the social rented/ RSL sector. Although in the PRS, there are local and national Welsh initiatives including licensing and registration including RentSmart Wales, that help to drive-up standards and landlord behaviour there is an opportunity for consideration of specific regulations and interventions focused on energy and environmental performance. In the owner-occupied sector, while there is some support for fuel-poor households, there is no comprehensive/ coherent pan-Wales approach to supporting decarbonisation in this sector, which means it can be more difficult to reach than the private or social rented sectors.

In 2020, the Business Energy and Industrial Strategy (BEIS) Department in Westminster consulted on proposals to improve the energy performance of PRS homes in England and Wales. The proposed targets were EPC “C” by 2025 for new tenancies and by 2028 for all tenancies.

The Department also consulted around this time on proposals for a new regime of disclosures and targets for mortgage lenders in relation to the EPC ratings of properties on their books – intended via first voluntary then mandatory disclosures to drive-up the energy performance of mortgaged homes. The proposals for England and Wales included setting a voluntary lenders’ target at a portfolio average of EPC Band C by 2030.

While supporting the principle of improving energy performance across all tenures UK Finance and lenders expressed concern about the proximity of the 2025 PRS target for new tenancies to achieve EPC “C” given that the supply chain and skills base together with landlord and tenant awareness are still underdeveloped.

Additionally, in the PRS, there are concerns about how improvements would be funded particularly in the context of rising cost pressures, materials shortages and increasing interest rates.

The BEIS Department has not finalised its proposals in this area, and formal responses to both consultations are awaited.

Until there is policy certainty on direction of travel in respect of the BEIS consultation proposals, the extent to which Wales-specific initiatives can be developed further might be limited.

Senedd members might wish to consider whether there could be other approaches developed within its competence/ powers to incentivise improvements to environmental performance in both owner-occupied and private rented homes.

The role of sector specific retrofit targets to help drive change

There is a role for sector-specific targets, in helping to focus attention of homeowners on timelines for improvement as well as the overall need for improvement. To drive positive homeowner behaviour, however, targets should be set realistically with homeowners having sufficient time, knowledge/ understanding and resources to achieve them.

In practical terms, this means there would need to be good supply chain and skills base readiness in advance of target dates alongside measures to promote consumer understanding/ education of the need for action in addition to clear funding routes for installation of appropriate measures.

Targets which are unrealistic, or which are perceived as unachievable by homeowners/ consumers and/ or targets which are enforced via a sanctions or penalties-based regime risk negative consumer responses with negative behaviours likely focussed on avoiding the target and any associated penalty rather than positive behaviours towards meeting or exceeding the target.

Actions the Welsh Government should take to progress a programme of retrofit for these sectors in the short, medium and long term

We suggest these broad areas of focus:

Short term – building consumer understanding and awareness; education and information programmes designed to increase and embed understanding of the need for change and a positive call to action by assessing current environmental performance of homes and measures which could realistically and affordably be taken to improve on base line. Actions in the short term should also be preparatory to consumer action – so, building supply chain and skills base readiness and

developing funding options which should include blended public-private finance. Shorter-term targets could be considered for property archetypes that are easier and affordable to improve.

Medium term – consideration of a regulatory and/ or targets-based framework to formalise a requirement to improve. This could be structured (as BEIS proposes for the owner-occupied sector) with voluntary targets which could become mandatory if the voluntary route is insufficient to drive the required changes in time. In respect of regulatory requirements, our suggestion would be for these to part of an incentives regime rather than one of sanctions and penalties so that positive consumer behaviour towards compliance is encouraged rather than avoidance behaviour. Medium term should see outcomes that deliver willing consumer action to meet realistically set targets through encouragement and incentives. Mid-term targets could be considered for property archetypes that are more complex/ less typical and require a range of interventions.

Long term – Consideration given to moving from a voluntary regime to mandated standards backed by enforcement if voluntary change is insufficient. All property archetypes are improved as far as they can be within/ towards target taking account of practical and financial considerations and improved/ available new technology.

The key challenges of delivering a programme of retrofit within these sectors, including financial, practical and behavioural, and action required from the Welsh Government (and its partners) to overcome them

Key challenges include not only developing appropriate and affordable blended funding options for landlords and owner-occupiers but also driving the right consumer behaviours to achieve target outcomes. This will require awareness-raising and education for example about what to expect and how to use and live-in a home with new/ unfamiliar technology installed, such as a heat pump. As above, it will also require action to ensure supply chain and skills base readiness. Overarching this are increasing cost challenges in terms of supply chain, skills, finance as well as installation/ running costs of measures for landlords and owner-occupiers.

How the right balance can be struck between influencing/incentivising home owners and private sector landlords to retrofit their properties and regulating to increase standards to drive progress

Please see our comments above about the need to incentivise rather than penalise consumer behaviour. Incentives are likely to drive more positive consumer behaviour while penalties and sanctions are likely to drive avoidance behaviour. As above, it might be appropriate to use an incentives-based approach in earlier stages of the journey to net zero and move towards mandated standards backed by penalties/ sanctions if the voluntary approach is insufficient. Policymakers should be mindful of unintended consequences, however, if penalties could have market effects such as preventing or delaying homes from being sold or let or driving down market values pending improvements. Such outcomes could suppress the market for unimproved properties leading to a two-tier market as well as having detrimental impacts on consumer finances.

How effective the Welsh Government is influencing decisions on reserved matters to support decarbonisation of these sectors.

The challenges of decarbonising energy supply at source and transmission (decarbonising the grid) remain, although progress is being made for example in relation to introducing hydrogen in the gas grid for use in hydrogen-ready hybrid boilers. There is more to be done, and we are aware

that Welsh Ministers are in active correspondence and dialogue with Westminster about reserved matters such as this. Similarly, Wales has constructive engagement and challenge on a range of net-zero pathway issues with the Climate Change Committee and it is encouraging to see in the Committee's reports how Wales is responding to those challenges within its powers. The CCC continues to actively challenge Westminster in respect of reserved matters, and we expect this challenge will continue alongside that provided by Welsh Ministers themselves.

If you have any questions relating to this response, please contact Matthew Jupp, Principal, Mortgages [REDACTED]

Matthew Jupp

Principal, Mortgages

John Marr

Principal, Mortgages

Pwyllgor Newid Hinsawdd, yr Amgylchedd a Seilwaith /
Climate Change, Environment and Infrastructure Committee
Datgarboneiddio'r sector tai preifat / Decarbonising the private housing sector
DH2P_33
Ymateb gan Banc Datblygu Cymru / Evidence from Development Bank of Wales

Decarbonisation of housing: decarbonising the private housing sector – evidence from the Development Bank of Wales.

September 2022

1. Introduction

The role of the Development Bank of Wales is to unlock potential in the Welsh economy by increasing the supply and accessibility of sustainable, effective finance. We invest over £100 million per annum into the Welsh economy and have been active in property development, supporting SME developers since 2013. Since our launch in 2017, it has been our fastest growing area of activity, resulting in investment of £159m and support for over 1,300 new homes. In 2021/22, property investment accounted for 40% of funding delivered by the Development Bank.

One of our core strategic objectives for the next five years is to promote and advance a green future in Wales including through the development of innovative financial instruments. The Development Bank is currently considering six potential areas of support aimed at decarbonisation in direct alignment with the Welsh Government's Net Zero Plan ambitions. One of three prioritised, immediate term, projects within this programme of work is the development of an accessible funding offer in support of retrofit activity for owner occupier and private sector landlords.

Our response to this consultation is focused on the role public funding can play in the decarbonisation of the housing sector and the importance in facilitating action using the range of mechanisms available. The response looks at the terms of reference - points 2 - 6.

In summary, the key areas where the Development Bank of Wales can support and have impact at this stage are:

- Continued development of a funding proposal, using outputs from a market testing collaboration with Nesta to establish a targeted pilot fund in support of retrofit in the private housing sector in 2022/23.
- Our ability to provide support for the Welsh Government as required, to scope options to establish a centralised energy service in Wales.

- Our ability to support collaboration across key stakeholders in Wales, including Local Authorities, with the aim of building packages of funding support and maximise the efficiency of public funds.
- Continued engagement with partners across the UK to ensure learnings and best practice are embedded in action in Wales.

2. The role of sector specific retrofit targets to help drive change.

- 2.1** Wales has pledged to significantly decarbonise housing stock by 2030 to support the 2050 Net Zero target. Residential housing accounts for 10% of emissions in Wales. Wales has some of the oldest and least efficient housing in Western Europe as 13% Welsh housing stock were built in the last 30 years.¹ Age and emission sources within the market has resulted in a broad set of retrofit requirements to achieve Net Zero.
- 2.2** An important aspect of development in this area, therefore, is recognition that a “one size fits all” approach will not work and therefore we welcome a sector specific approach to targeting change.
- 2.3** Learnings from the Welsh Government’s Optimised RetroFit Programme will be important in the development of action in the owner occupier and private rented sectors, yet the differences must also be recognised. For example, the differing starting quality of the housing stock compared to that of social housing.
- 2.4** We must also consider the different customer base and personas within the wide homeowner market, ranging from those likely to act regardless of support available and those that may need greater levels of support particularly through energy advice and greater incentivisation.
- 2.5** A targeted delivery approach is also required to gain momentum. This may be by region/Unitary Authority, or through analysis of areas with a high density of target EPC ratings. National roll out from the beginning may dilute impact rather than grow critical mass.
- 2.6** In support of this the Development Bank has collaborated with Nesta to undertake a project looking specifically at the range of potential user groups. This work has been enhanced by a behavioural insights study exploring tendencies and sentiments in different funding offers and their perceived benefits. This will help understand behaviours such as current blockers to action and potential motivators such as linking to bigger renovation works where installation upheaval is less of an issue, as an example.

¹ Financing Wales’ Housing Decarbonisation, New Economics Foundation, 2021. Available here: <https://neweconomics.org/uploads/files/Financing-Wales-Housing-Decarbonisation.pdf>

Responses from a sample of 8,000 homeowners, 2,000 of which are Welsh, are currently being analysed and further feedback can be given at the Committee's evidence session in October.

3. Actions the Welsh Government should take to progress a programme of retrofit for these sectors in the short, medium, and long term.

3.1 Short-term priorities - In conjunction with the Welsh Government, the Development Bank of Wales is focusing short-term action on the development and launch of pilot funding offers which can test and subsequently adjust to evolving market needs. The complex needs of addressing decarbonisation retrofit require a simplified approach. Solving all the issues in one is not feasible and therefore we consider that an incremental build that has the capacity to test and learn lessons be the first stage of the process. Work in this area is advancing well through the collaboration with Nesta and ongoing discussions with the Welsh Government on funding requirements. Shaping a hybrid funding offer matching an element of grant with repayable finance will be presented to the Welsh Government in the form of a Business Case in the coming months aligned with their desire to extend Optimised RetroFit into these sectors.

3.2 Medium-term priorities - To create an engaged and holistic offer in Wales, a centralised energy advisory service is a key component. This will require careful remit build, structuring, procurement, ownership, and delivery planning which ultimately suggests a medium-term timeline. However, to achieve this, action needs to begin immediately. The Development Bank can support the development and coordination of this.

3.3 Long-term priorities - Delivery of a legislative roadmap that strengthens abilities to impact on Net Zero goals in a just way and provides milestones to focus action.

4. The key challenges of delivering a programme of retrofit within these sectors, including financial, practical, and behavioural, and action required from the Welsh Government (and its partners) to overcome them.

4.1 There are a number of challenges acting as barriers to action. Particularly in the context of efficient and prudent use of public funds it is vital that any offer of support is robust in its impact and outcomes. The currently fragmented support network needs to become more joined up linking the elements of advice, skills, funding, and delivery. For customers, an efficient and understandable process is essential for unlocking demand.

4.2 Advice service - One of the key requirements in delivering a comprehensive retrofit programme is the availability of consistent, quality advice to support individuals navigate the complexities of the technologies and installation requirements. Not knowing where to start is a major but answerable problem. Scotland operate their Home Energy Service- run by Energy

Savings Trust- which provides individuals with a central resource that supports turning enquiry and interest into action. If Wales is to effectively impact in this area, then it is vital that a central advice resource is formed. In the current environment and stage of maturity of the market in this area in Wales, it would be appropriate for this to be led by the Welsh Government.

This however has a number of constraints such as funding requirements and resource needs. While a cost, it will be integral to generating action in this space. Some of the cited issues by individuals is the understanding and trust in the technologies they install. Having a government 'stamp' on this will help alleviate concerns. To support this a clear and understandable approach to the Welsh Government's policy in this area is needed setting out eligible activity. For this market (private homeowners and landlords) it is proposed that this removes any support for enhancing existing fossil fuel sourced energy performance and focuses on whole of house decarbonisation, generating personalised plans for homeowners mapping their route from fabric first through to energy generation. We support the work underway in developing a building remediation passport.

- 4.3 Installation and supply chain-** Supporting supply chain development through skills and training is a practical measure that needs to be addressed to build expertise in Wales. Alongside this the Development Bank of Wales can support micro businesses in starting up or pivoting existing trade businesses to build capacity as a provider of green installations. Schemes such as the Microgeneration Certification Scheme are vital for quality assurance risk mitigation. Consumer protections need to be a key consideration.

The Path to a Net Zero Wales, 2020 Advice Report by the Climate Change committee noted that the 2020s is a period of scaling up. Wales must build supply chains and new markets for low-carbon consumer offerings so that these can scale from being niche offerings to market standard.

- 4.4 Measuring impact-** In the delivery of public funding it is important that impact and outcomes can be accurately measured. Homeowners need to have access to ongoing support, post installation, to ensure they are maximising use of technology and consideration needs to be made into how data collection systems can be built in as part of the offer- whether an intelligent energy system device may be a term of the funding.
- 4.5 Cost of living crisis-** In a stable market environment the debt burden and long-term payback presents a deterrent. With the current cost of living and energy crisis this creates, for many, a complete blocker to investment in this area. For those that can still commit to decarbonisation enhancements this is likely to be at the wealthier end of the able to pay market. If these provide the first movers this should not be seen as a negative.

It is important also, that the offer is responsive to the prevailing market conditions. While some may be able to install decarbonisation focused upgrades at this time, for the vast majority energy efficiency is the need. Providing supported access to finance to undertake measures to reduce immediate bills should be an integral part of the early offer.

In addition, a further challenge is presented in the level of support required through public funding. It is vital that opportunities to integrate various forms of finance are explored including Shared Prosperity funding at a regional level for advice or grant elements. The Development Bank can support the Welsh Government in this engagement with Local Authorities.

5. How the right balance can be struck between influencing/incentivising homeowners and private sector landlords to retrofit their properties and regulating to increase standards to drive progress.

- 5.1** Until legislation is introduced, the ability to incentivise and motivate action in this sector will be limited. This is in part due to the ‘no need’ to act, particularly where it requires personal expenditure and in part due to the uncertainty on what legislation may be introduced and acting before that is fully understood.

Clearly, this will need to be transitioned, allowing time for property owners to adjust, however the sooner a roadmap on the shape of future legislation is developed the more confidence individuals will have to act and prepare for the future.

- 5.2** In the meantime however, the key lever for influencing and incentivising action will be through the funding offers made accessible to Welsh homeowners. As the cornerstone deliverer for financial instruments for the Welsh Government, the Development Bank is currently assessing the package of support that will suit the needs of the Welsh market. This needs to be considered in direct consideration of the challenges listed in 4 above.

Undoubtedly, even with the use of mechanisms including repayment holidays, payback linked lending, 0% interest and long-term patient capital, there will be a need to catalyse action through the availability of grant finance alongside repayable lending. Particularly at this juncture where action is critical to build momentum, the Welsh Government must recognise the requirement to make available core capital funding as part of the offer. By design, this will be ensured to be the minimum necessary to create viable finance packages ensuring value for money.

- 5.3** Recognising the complexity of the challenge ahead, further solutions will need to be considered to build a range of support. There are a number of intervention archetypes which

could be piloted in the Welsh owner occupier and private rented sector above the proposed hybrid grant/lending model, such as green mortgages or green equity release.

- 5.4 A tipping point should come when costs of technology will fall and meet the rising value of market improvements but this is not going to happen in the short term and therefore supportive finance packages are fundamental to action.
- 5.5 Establishing or aligning with an agreed set of delivery principles will be an important factor in creating an effective and balanced offer. The Green Finance Institute's retrofit finance principles are a good example of this where four delivery components are highlighted as defined use of proceeds (or eligibility), project evaluation and selection (demonstrated energy efficiency), management of proceeds (clear tracking of financial instruments for transparency) and reporting (real time and verified).
- 5.6 As part of the Development Bank's ongoing market analysis it is important to continue to engage with bodies such as the UK Infrastructure Bank, Carbon Trust, and the Green Finance Institute as well as continue to note best practice learnings from schemes in other regions for the benefit of Wales - such as the successful and well-established scheme run by KfW in Germany. This also clearly includes close engagement with the Welsh Government on the learnings and outcomes from the Optimised RetroFit Programme.

6. How effectively the Welsh Government is influencing decisions on reserved matters to support decarbonisation of these sectors.

- 6.1 One of the schemes that was identified as part of our exploration into learnings from other regions was the Property Assessed Clean Energy model or PACE. This provides an innovative model whereby property enhancements are linked to the property rather than the individual. The repayment obligation therefore will transfer with the property ownership addressing a key barrier in that owners are reluctant to make improvements if they do not believe they will be in the property long enough to benefit from the savings post payback.

The issue however is the requirement to channel the repayment through property tax routes, the most obvious being council tax. This therefore requires legislative allowances and devolved powers to create a mechanism to achieve this, as well as local government resource to operate.

The Development Bank has linked with the Green Finance Institute on their work in this area and will continue to do so as they trial a project with the Greater Manchester Combined Authority as a test case.

For this to become a potential working solution for Wales however it is important that the areas of government that are able to, consider and influence the necessary legislative

considerations and are brought into discussions to understand the feasibility and practicalities of this. We will stand ready to contribute to these discussions as appropriate.

Agenda Item 3

Pwyllgor Newid Hinsawdd, yr Amgylchedd a Seilwaith /
Climate Change, Environment and Infrastructure Committee
Datgarboneiddio'r sector tai preifat / Decarbonising the private housing sector
DH2P_24
Ymateb gan / Evidence from Generation Rent

August 2022

Summary

Generation Rent welcomes the opportunity to contribute to this inquiry. We represent the 13 million people in the United Kingdom who live in the private rented sector (PRS), and campaign for affordable, safe and secure homes.

Private rented homes in Wales are less likely to have adequate energy performance than other tenures, though the evidence on this is patchier than in England, and it is difficult to see what effect Minimum Energy Efficiency Standards (MEES) have had (even though they are, in principle, an essential part of the policy solution).

Private renters are therefore more likely to live in poorly insulated homes and are more vulnerable to rising energy prices. A home with energy performance certificate (EPC) at Band E could cost a tenant £1309 more than a home with EPC Band C. There is little action the tenant can take to improve the quality of their home and reduce their energy use and bills.

There is little incentive for private tenants to ask for improvements to their property. Even if the landlord were to carry them out, or the tenant were eligible for a grant, there is little stopping the landlord from subsequently raising the rent or evicting the tenant to realise the improved value of the property.

While the Nest grant scheme appears to be relatively well-targeted at the PRS, with PRS homes overrepresented in its beneficiaries, it could be made more appealing for tenants to apply for. Grants are likely to be one of the only ways that it will be economical for many PRS homes to be retrofitted when minimum standards are increased. For this reason, tenants need assurance that applying for one is worthwhile, so need protection from no-fault eviction and unaffordable rent increases that could see the landlord capturing the benefits instead.

A more user-friendly grants system would act as something of a carrot for landlords, but the proposed stick of higher MEES must be made effective by making tenants eligible for compensation if they find themselves living in a home that fails the standards resulting in higher bills. The government should also consider making funding available to purchase homes with poor energy performance being sold by landlords, and to carry out targeted insulation projects on streets where economies of scale are possible.

For further information, please contact Dan Wilson Craw, Deputy Director of Generation Rent

The scale of the challenge

Public data tell us relatively little about the energy performance of buildings in Wales. According to StatsWales, just 42% of PRS homes had adequate energy performance – the same proportion of

owner-occupied homes and far fewer than the social sector where 69% were adequate according to the Welsh Housing Conditions Survey 2017/18.¹

StatsWales also provides a tenure breakdown of energy savings measures as at 2014-15. Private rented homes were less likely to have insulation compared with other tenures. Just 28% of PRS homes had insulated solid walls compared with 31% of owner-occupied homes, 62% had insulated cavity walls compared with 75% of owner occupied homes and 88% had loft or roof insulation compared with 95% in the owner occupied sector.²

The UK Department for Levelling Up, Housing and Communities produces live tables on energy performance of homes.

Of the 1,194,430 energy performance certificates (EPC) lodged for homes in Wales in 2009-21, 422,958 were rated A-C – or 35%. This figure increased from 35% of EPCs lodged in 2009 to 45% in 2021. However, there is no breakdown by tenure, so we cannot see what improvement has been made in the PRS in that time. (It is also not clear what relationship “adequate energy performance” from the Welsh Housing Conditions Survey has with EPC bands.)

We do know that there were 200,289 EPCs lodged for rental properties in Wales between 2013 and 2021.³

In comparison, the English Housing Survey tells us how many PRS homes have each EPC band, and we can see how this has changed over the years. We also have more up to date figures about how many PRS homes have characteristics such as central heating, solid walls, etc.

Requirement to provide an EPC

Landlords must provide an EPC to prospective tenants with a minimum of Band E in order to let the property. There is little evidence to date that indicates whether tenants are using EPC ratings to decide whether to apply for a tenancy, which might put landlords under pressure to make improvements. Prior to this year, energy costs, and the differences in energy costs between EPC bands, have been relatively small compared with the rent on a given property – typical costs being £100 per month on energy compared with £600 on rent (roughly the mean rent on a 3-bed home, according to StatsWales⁴).

This year and in the future, we may see more interest in EPC bands from prospective tenants now that average energy bills are heading towards £350 per month, and the Energy and Climate Intelligence Unit (ECIU) suggests that the difference in gas costs between an F and a C could reach £986 (£82 per month) based on current projections⁵.

One difficulty facing tenants who wish to make an informed decision is that it is not clear whether information on the EPC relating to estimated energy costs is reflective of the latest price cap, making it difficult to make a comparison.

¹ <https://statswales.gov.wales/Catalogue/Housing/Housing-Conditions/percentageofdwellingwithadequateenergyperformance>

² Tables available at <https://statswales.gov.wales/Catalogue/Housing/Housing-Conditions>

³ Tables D1 and D4b available here <https://www.gov.uk/government/collections/energy-performance-of-buildings-certificates>

⁴ <https://statswales.gov.wales/Catalogue/Housing/Private-Sector-Rents>

⁵ <https://eciu.net/media/press-releases/2022/poorly-insulated-homes-to-pay-1-000-more-on-gas-bills-this-winter>

Minimum Energy Efficiency Standards

It is difficult to know what impact the minimum energy efficiency standard (MEES) of E for private rented homes has had in Wales. We do know that in England, few councils have used their powers extensively to target landlords with F- and G-rated properties.⁶

Beyond their energy bills, there is little incentive for tenants to take an interest in whether their landlord is compliant with MEES. They are not protected from a no-fault eviction if they complain and there is no clear mechanism to seek compensation for paying excessive energy bills. Given how easy it is to find one's EPC online, this could be a powerful source of information if the right incentives are there.

Raising the MEES to Band C is essential and we are disappointed that the UK government has not confirmed the details of this, more than 18 months after its consultation on the proposal ended. According to the ECIU, the average energy bill savings available for bringing Band E properties up to C are £1,309 per year and £598 year for Band D properties.

We are concerned that exemptions based on landlords having to spend more than a certain cap in order to meet the MEES will leave tenants paying higher bills with no extra support. Although grants may be available for lower income households, this may not be clear to the tenants in question.

Grants

There are sources of funding for improving private rented homes. The ECO scheme was launched in 2013 and renewed in July 2022. Private renters in receipt of means-tested benefits (or vulnerable in some other way) and living in poorly insulated homes are eligible as well as home owners. There are no obligations on the landlord in terms of providing the tenant with extra security of tenure and keeping rent at the original level.

According to an answer to a parliamentary question in 2022, a total of 321,000 private rented homes had been improved under the ECO scheme since its launch. This amounted to 14% of the total number of homes improved under the scheme in Great Britain as a whole.⁷ As a proportion of the private sector housing stock PRS homes represent about 23%, indicating that the PRS is underserved by the ECO scheme. We do not have a breakdown for Wales.

The Welsh Government Nest scheme has been in place since 2011. It has similar eligibility criteria for private renters, but also requires that the tenant has been in the property for at least six months and will remain there for at least six months, and that the landlord does not raise the rent before 12 months is up. Landlords are also limited in terms of how many properties can be upgraded using the scheme.

According to Nest's latest annual report, 21% of households receiving a home energy efficiency improvement package were private renters. This is a higher proportion of the private sector housing stock than the proportion that the PRS comprises (17% according to StatsWales⁸).

It is therefore apparent that the Welsh government Nest scheme has been more effective than the industry-led ECO scheme at targeting the PRS.

⁶ https://www.generationrent.org/illegal_rentals_costing_tenants_321m_extra_in_energy_bills

⁷ <https://questions-statements.parliament.uk/written-questions/detail/2022-01-27/113044>

⁸ <https://statswales.gov.wales/Catalogue/Housing/Dwelling-Stock-Estimates/dwellingstockestimates-by-year-tenure>

However, we believe that the eligibility requirements of the Nest scheme do not have the tenants' best interests at heart. We have heard anecdotally that some landlords upgrade their properties using a Nest grant only to then evict the tenant after the fixed term of the tenancy ends (which can be as soon as six months). Under the Renting Homes (Wales) Act, a landlord could serve six months' notice to quit as soon as the tenant applies for the grant. This allows the landlord to then re-let the property at a higher rent or sell the property, pocketing the extra value that the grant has brought. We note that it is also possible to do this under the ECO scheme. In allowing this to happen, the schemes are funnelling money to unscrupulous landlords and the tenants lose out, particularly as they are then unable to access grants in a future property.

The possibility of being asked to leave so soon after getting your home retrofitted is likely to deter many tenants from applying for a grant in the first place. Many landlords would sooner sell the home than pay for the upgrades themselves, so giving tenants more reason to apply for grants is one of the most important things the government can do to retrofit the PRS. To give tenants certainty, they should enjoy a long period where their landlord cannot evict them on no-fault grounds. A five-year protected period, for example, would leave the tenant to enjoy reduced energy bills; most landlords would accept this if they were not planning to exit the market and would otherwise face a fine for failing MEES.

Another risk is that the landlord could seek the benefit of the grant by raising the rent to take advantage of the tenants' new found savings on utility bills. It may be possible to challenge this at Tribunal, which may take the grant into account when determining the rent, so that the landlord does not capture the benefit the grant provides. For example, the market value of a Band C property might be £700 per month, but the Tribunal could rule that because £100 of that value arose due to public money rather than the landlord's own investment, the rent for the tenant should be £600 per month. But it is not clear whether the Tribunal is indeed in a position to rule in this way. Guidance states that "The [Rent Assessment] Committee must ignore any effect that certain qualifying tenant's improvements would otherwise have on the rental value of the property. This is to prevent the landlord from benefiting from the improvements by way of a higher rent."⁹ But it is not clear whether grant-funded improvements would qualify.

Moreover, very few private tenants use the Tribunal, particularly as it is easy for landlords to use the threat of a no-fault eviction to raise the rent. The fear of the rent being increased is one of the most common concerns tenants have about energy efficiency improvements.¹⁰

Challenges and striking the right balance

There are several challenges facing a retrofit programme: compelling the landlord to act, understanding the scale of the problem, and making sure that public money is used to improve the quality of life of tenants rather than commercial landlords. These have been set out above but we will comment a bit further.

The main reason for the landlord to improve their property would be to avoid penalty as a result of enforcement. There are more positive reasons to act: providing better quality homes compared with their competitors will allow them to charge a higher rent, and if they decide to sell or remortgage,

⁹ See page 6 <https://residentialpropertytribunal.gov.wales/sites/residentialproperty/files/2021-05/RAC-G2.pdf>

¹⁰ Nearly half of private renters (48%) who took part in a Generation Rent research project said the threat of a rent increase would deter them from asking for energy efficiency improvements https://www.generationrent.org/heat_our_homes_not_the_planet

the value would be higher than if the property was still poorly insulated. But the benefits of this are not immediate and may not be obvious given the costs involved.

Although retrofitting PRS homes reduces energy use and carbon emissions, and although the Nest scheme in particular seems to be effective at targeting this at the PRS, the grant schemes are not targeted well enough at private renters in fuel poverty, given how easy it is for landlords to capture the benefits.

If there were clearer benefits for private renters, then more of them would seek out and claim the grants they are eligible for and both they and the planet would benefit. This would help more landlords comply with the new MEES requirements and so assuage fears that many have.

Even with a well-designed grant programme, once the new MEES is introduced many landlords may still decide to exit the market and sell up. This might include landlords whose tenants earn too much to qualify for grants. The first effect of this would be for the price of EPC Bands D-E (and F-G) properties to fall in relation to A-C properties. This would then make those lower-band properties more appealing to landlords with the capital to make their own investment in the property, or owner occupiers either with the savings to invest or the low income that made them eligible for the grant schemes. Given the inaccessibility of home ownership to huge sections of the population, we are sceptical that many potential buyers would qualify for grants, which would depress house prices further (though we believe Wales contains more areas with low incomes and affordable house prices than many English regions). However, there could be a role for public or philanthropic landlords to purchase the homes instead, particularly where there is a local need for more social housing.

Some landlords might switch to holiday lets, though we note recent Welsh government policies aimed at discouraging this. It is too early to tell whether they are sufficient to mitigate this risk.

Practically, we know that solid wall insulation is one of the most expensive measures to pursue as part of a retrofit, but that economies of scale mean that it is cheaper if more homes are treated at the same time, such as on terraced streets.

Recommendations

To address these challenges, the Welsh government should:

- Amend the Renting Homes (Wales) Act to prevent landlords whose property is upgraded with an ECO or Nest grant from evicting the tenant on no-fault grounds for an extended period (e.g. five years) to give the tenant assurance that getting the grant is worthwhile.
- Clarify whether, in the context of a market rent assessment at Tribunal, a retrofit grant protects the tenant from paying the full market rent on the property – and legislate to provide this protection if necessary.
- Introduce compensation to the tenant for living in a property that fails MEES. This could be based on the Rent Repayment Order that exists in England for licensing offences.
- Set aside public funds to purchase private rented homes at EPC Band D or below that are listed for sale, invest in retrofitting them and make them available as social housing.
- Develop a programme that upgrades solid wall properties street by street, providing grants or other incentives for property owners who take part, depending on tenure and their ability to pay.

Decarbonisation of housing: decarbonising the private housing sector

19th August 2022

About the NRLA

1. The National Residential Landlord Association (NRLA) thanks the committee for the opportunity to comment on the delivery of decarbonisation of housing in Wales.
2. The National Residential Landlords Association is the UK's largest membership organisation for private residential landlords, supporting and representing over 95,000 members. The association was created from the merger of the RLA and NLA in April 2020. NRLA members range from full-time landlords running property portfolios to those letting single bedroom flats.
3. We help our members navigate these challenges and proudly offer some of the most comprehensive learning resources and market-leading intelligence available in the sector. We seek a fair legal and regulatory environment for both landlord and tenant and actively lobby the Government on behalf of our members.
4. We thank the committee for the opportunity to answer the following questions.

1. the current approach to decarbonising housing in the private rented and owner-occupied sectors in Wales, including the effectiveness of existing programmes and support for retrofit;
- The private rented sector is governed by Minimum Energy Efficiency Standards which are legislated for from Westminster. There was a consultation which closed in

January 2021 which looked at increasing the Minimum Energy Efficiency Standards alongside the introduction of a carbon metric.

- There currently is no minimum standard for decarbonisation for the private rented sector, the sector is regulated by Energy Efficiency, via the Energy Performance Certificate (EPC). The current target is an E for energy efficiency within the EPC. The consultation which closed last year has proposed either an Environmental Impact Rating of a C or an Energy Efficiency rating of a C for new tenancies from April 2025 and all tenancies from April 2028
- There is no programme for the private rented sector in relation to decarbonisation.
- There is limited support for those around energy efficiency, but this is based on low-income households. These support programmes are based on the tenant and not the building or landlord. In many situations a landlord will not know the finances of individual tenants, therefore will not apply.

2. the role of sector specific retrofit targets to help drive change;

- Properties change sector regularly; a private landlord may rent a property to a local authority, who use it for social housing. An RSL may use a property as a private rent then for social rent, equally a property may be rented out for a year because a person has a job overseas for a defined period such as a year, and then it will revert back to owner occupier. To have different targets for each sector could cause confusion and problems, especially when targets will be set outside of Welsh government competency.
- Clarity on targets short term and long term will be required to avoid inappropriate measure being installed and then needing replaced. This is not only expensive but losses support for decarbonisation.
- To set targets which will be dependent on other areas not covered by Welsh Government also poses a problem. The private rented sector is governed by the Minimum Energy Efficiency Standards, which are set in . This will look at the environmental (carbon) impact of properties, in the future. But to use a different target for different sectors will create confusion.
- This is still subject to the future energy grids strategy along with the future energy mix. With an unknown energy mix moving forward, it is a challenge to predict what specific targets will be required. We do support the improving of the fabric of building first before moving to heating systems. Thus, the retrofit target should be first looking at people moving the properties to the best fabric position they can be before looking at heating.

3. actions the Welsh Government should take to progress a programme of retrofit for these sectors in the short, medium and long term;

- There is a lack of knowledge of where every house is on the journey to zero carbon in Wales, or even energy efficient.
 - A survey of all housing in Wales should be undertaken. This would give a base line from which decisions can be made, which would be based on evidence from the survey. This would give an understanding of the scale of the retrofit challenge and allow for the development of the skills and resources that are required as well as an indication of scale of retrofit required.
 - It is only from doing this that a meaningful plan short, medium and long term can be made.
4. the key challenges of delivering a programme of retrofit within these sectors, including financial, practical and behavioural, and action required from the Welsh Government (and its partners) to overcome them;
- There is a lack of understanding of what the challenges are and what the move to decarbonisation will look like. That is why a property passport giving a road map for each property will allow people to understand what they need to do, and they can plan for this.
 - The issues such as finance, practicalities and behaviour change would flow from renovation passports as they will give an indication of what needs to happen. From this it will allow people to budget and plan for what the changes will be.
5. how the right balance can be struck between influencing/incentivising home owners and private sector landlords to retrofit their properties and regulating to increase standards to drive progress;
- Regulations for the private rented sector sit within MEES and we await the outcome of the consultation.
 - Any policy has to be balanced in the private rented sector between costs and affordability of the tenants. An increase in rents during a period of fiscal tightening would not be to the advantage of households in Wales.
 - A pathway to net zero needs to be made and how it will be funded and incentivised.
 - Tax breaks such as the landlord energy saving allowance needs to be re-introduced along with support around planning, building regulations and access.
 - Reform of the planning system to support change in building, to achieve the targets especially around windows and external wall insulation.

A Submission by the National Residential Landlords Association

1.0 About Us

- 1.1 The National Residential Landlords Association (NRLA) is the leading voice in England and Wales for private sector residential landlords. It has almost 100,000 members making it by far the largest organisation in the sector. The membership owns and manages around 10% of private rented housing in England and Wales equating to half a million properties.
- 1.2 It provides training and support for landlords to ensure they fully understand their responsibilities and are equipped to provide good quality housing for their tenants. It also campaigns for policies that seek to improve the private rented sector for the benefit of tenants and good landlords alike.

2.0 Executive Summary

- 2.1 The push for net zero and decarbonisation presents a significant challenge to the private rented sector. The NRLA understands the need to reduce our carbon emissions in order to reach net zero carbon emissions by 2050 and acknowledges that there will be costs associated with that. However, it must be done in a way that is fair and reflects the ability of particular groups to contribute to that transition.
- 2.2 If approached incorrectly, policies that aim to help progress the transition to net zero may end up harming the sector, reducing supply and increasing costs to government overall.
- 2.3 There is an erroneous assumption that all landlords can shoulder the burden of decarbonisation in the private rented sector. In fact, most landlords do not have large property portfolios. The large majority are middle-income individuals who own just one or two properties for rent. Our research shows that across the UK private landlords make an average, net annual income from property of less than £4,500 a year. Due to lower rents, the Wales-only figure is likely to be lower.¹
- 2.4 The cost to upgrade many homes in Wales is likely to be prohibitively expensive for most landlords. It would cost them up to the proposed national cost cap of £10,000 and they may not be successful, even with this investment, in ensuring that their properties have at least an EPC rating of C or better. This is because the Welsh housing stock tends to be older and built with solid walls, making insulation measures difficult and expensive.
- 2.5 The NRLA is calling for several key changes to be made at a UK level and a Wales level. For the latter, the NRLA is calling for:
- The Development Bank of Wales to provide additional funding where landlords are likely to face prohibitive costs when making energy efficiency improvements to their homes. This should be introduced in the form of zero, interest loans.

¹ NRLA, *Energy efficiency support failing to help most in need*, July 2021, available at: <https://www.nrla.org.uk/news/energy-efficiency-support-failing-to-help-most-in-need>.

- Such a financing scheme should be administered by Rent Smart Wales who can use the data it holds and the EPC register to determine which landlords to contact about their responsibilities on energy efficiency and the availability of support and additional funding.
- We are calling for greater access to the PRS for grant funding opportunities from the Welsh Government's Warm Homes Programme. Current grant funding opportunities from Arbed and Nest have barriers for the PRS and a designated fund for the PRS tackling the most energy inefficient buildings would be desirable.
- The ECO flex scheme must be fully utilised by Welsh local authorities to ensure that more homes in the private rented sector benefit from the scheme. The Welsh Government should introduce measures to support local authorities in doing this. They are currently prevented from making the most of the scheme due to insufficient resources and personnel.
- A specific training budget should be established by the Welsh Government to help small businesses upskill their workforce and ensure that Wales has the skills base necessary to conduct a mass retrofit of its housing stock.

3.0 Effectiveness of Current Policy

3.1 Decarbonisation of the private rented sector is one of the more challenging aspects of the UK and Welsh Governments' target to reach net zero carbon emissions by 2050. Despite the clear will to improve the energy efficiency of private rented housing and therefore reduce their carbon footprint, the current policy offering is inadequate and unless this is rectified it will not succeed.

3.2 At present, there are not enough incentives for landlords to upgrade the energy efficiency of their properties. There is currently a requirement that a landlord upgrades their properties to a minimum standard of EPC rating E or higher and a landlord is required to invest up to £3,000 to achieve this.² This policy is ineffective, especially in Wales, as:

- Properties in Wales tend to be older and therefore more expensive to upgrade, meaning that £3,000 will not be enough to bring them up to the required standard.
- Even if this does bring the property up to an EPC rating of E, this may not be enough to make the required cuts in carbon emissions to help achieve the target of net zero carbon emissions by 2050. Government figures estimate that it would cost an average of over £7,500 to bring rental properties up to the required EPC rating of C in England and the figure is likely to be the same, or more, in Wales.³

² UK Government, *Domestic private rented property: minimum energy efficiency standard - landlord guidance*, October 2017, available at: <https://www.gov.uk/guidance/domestic-private-rented-property-minimum-energy-efficiency-standard-landlord-guidance>.

³ English Housing Survey Private Rented Sector report for 2019/20, July 2021, available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1000052/EHS_19-20_PRS_report.pdf.

- 3.3 There are currently proposals being considered at a UK-wide level to require landlords to invest up to £10,000 to bring their properties up to an EPC rating of C.⁴ The above issue around the age of properties in Wales still applies. This means that even with this investment, a landlord may not be able to bring a property up to the required standard, particularly as some properties only have a potential for an EPC rating of D or lower. Many typical landlord businesses have neither the liquid capital nor the equity to finance expensive retrofit like external wall insulation or the installation of heat pumps without help. As such, setting the cost cap too high will dissuade investment and drive landlords out of the market where property values cannot support them.
- 3.4 In many areas in Wales, this proposed new national cost cap could represent a significant proportion of the value of the average property. For example, in Blaenau Gwent, which in the year to March 2021 saw the average (median) price paid for a property being £96,500, a cost cap of £10,000 would amount to just over 10% of the value of the average property, compared to nearby Monmouthshire (average price paid being £279,450) where it would come to just over 3.5%.⁵ For many landlords in Wales, the new cost cap would be uneconomical and it is possible that, even with substantial investment, the property may not be upgraded to EPC band C or better before the cost cap is hit.
- 3.5 There is also not enough support or investment from government going into the decarbonisation of the private rented sector at present. Social rented properties in Wales can benefit from the Optimised Retrofit Programme, whilst at a UK-level social rented properties can also benefit from the Social Housing Decarbonisation Fund.⁶ Furthermore, just 14% of all measures undertaken under the Energy Company Obligation (ECO) scheme have been in the private rented sector, despite the unique challenges the private rented sector faces in upgrading its housing stock and the fact that the PRS makes up 19% of the UK housing sector.⁷ Landlords are generally expected to upgrade their properties out of their own pocket, which is not realistic when most landlords make an average net annual income from property of less than £4,500 a year.

4.0 What the Welsh Government Should Do

- 4.1 Properties in Wales will need significant amounts spent on them to bring them up to minimum energy efficiency standards. One of the biggest challenges facing the private rented sector is the age of the housing stock in it. The most recent Welsh Housing Conditions Survey noted that the private rented sector has the oldest stock with 43% of dwellings in it built prior to 1919.⁸ These are properties which typically have solid walls making insulation measures extremely difficult and expensive.

⁴ UK Government, *Improving the energy performance of privately rented homes*, September 2020, available at:

<https://www.gov.uk/government/consultations/improving-the-energy-performance-of-privately-rented-homes>.

⁵ Office for National Statistics, *Median house prices for administrative geographies: HPSSA dataset 9*, November 2021, available at:

<https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/medianhousepriceforationalandsubnationalgeographiesquarterlyrollingyearhpssadatataset09>.

⁶ UK Government, *Social Housing Decarbonisation Fund: Wave 2.1*, June 2022, available at:

<https://www.gov.uk/government/publications/social-housing-decarbonisation-fund-wave-2#:~:text=The%20Social%20Housing%20Decarbonisation%20Fund,C%20up%20to%20that%20standard.>

⁷ Footnote needed

⁸ Welsh Government, *Welsh Housing Conditions Survey 2017-18: headline report (updated)*, February 2020, available at:

<https://gov.wales/sites/default/files/statistics-and-research/2020-02/welsh-housing-conditions-survey-headline-results-april-2017-march-2018-update-570.pdf>.

- 4.2 Welsh landlords are also likely to find it more challenging to meet the costs of bringing these properties up to the required standard given the relatively low property and rental values. According to Zoopla's latest analysis of UK rents, the average rent in Wales is £705 per calendar month, compared to an average of £995pcm across the UK.⁹
- 4.3 The NRLA is therefore calling for a number of measures to be introduced by the Welsh Government in order to ensure a retrofit of private rented housing in Wales is successful.
- We are calling for the Development Bank of Wales to provide additional funding up to the cost cap of £3,000, or £10,000 if it is increased by the UK Government, where landlords are likely to face prohibitive costs when making energy efficiency improvements. Landlords should also be eligible for this support if they live in a low rental market area. This support should be offered in the form of a low or zero interest loan to encourage uptake whilst ensuring it does not cost the Welsh taxpayer in the long run.
 - This energy efficiency loan scheme should be administered by Rent Smart Wales. The NRLA believes that Rent Smart Wales' knowledge of existing private rented sector properties means it would be ideally placed to manage this. It should use the data it currently holds, as well as the Energy Performance Certificate register which is publicly accessible, to help determine which properties in the PRS are without an EPC rating of C or better. Rent Smart Wales should then use this to inform landlords of their responsibilities in terms of improving the energy efficiency as well as the availability of what funding they can access in order to help them meet these responsibilities.
 - Changes should be made to the ECO Flex scheme to ensure that more properties in the private rented sector can benefit from it. Whilst the new scheme gives local authorities more discretion about what properties can access funding, local authorities in Wales are not currently able to use this new flexibility due to insufficient resourcing and personnel who would be able to monitor and evaluate funding. The Welsh Government should help local authorities to build up this resourcing and personnel to ensure this issue is rectified.
 - A January 2022 report from the Gatsby Foundation and Energy Systems Catapult found that the current education system and wider sector is underprepared for a mass retrofit of the UK's housing stock.¹⁰ A substantial growth and change in the supply chain is also needed, alongside the closure of skills gaps in property assessment, low carbon heating installation and technology integration. A specific training budget should be established by the Welsh Government to rectify this issue in Wales which could then ensure that there is the skills base necessary to conduct a mass retrofit of its housing stock.
 - While decarbonisation and tackling fuel poverty are different phenomena, there are synergies in their aims. The PRS has the highest levels of fuel poverty out of all Welsh tenures. This is due to the age of stock and a growing proportion of vulnerable tenants

⁹ Zoopla, *Rents on new lets are rising across the UK but it's a highly localised picture*, May 2022, available at:

<https://www.zoopla.co.uk/discover/property-news/rents-on-new-lets-are-rising-across-the-uk-but-its-a-highly-localised/>.

¹⁰ Energy Systems Catapult. *Skills for Net Zero Homes*, January 2022, available at: <https://es.catapult.org.uk/policy-brief/skills-for-net-zero-homes/>.

accessing the sector. However, the Welsh PRS has made the most strident improvements in its energy efficiency compared to other tenures.

- There remain barriers to accessing the Welsh Government’s Warm Homes Programme grants for the PRS. Arbed is focused on the most deprived lower super output areas (LSOAs) in Wales. Given the sporadic nature of the PRS, concentrating on such small geographies makes accessing the grant problematic compared to the social sector that can be delivered at a larger scale. Turning to Nest, the grant is open to tenants with specific circumstances. For example, tenants in receipt of a means tested benefit or fit the National Institute for Health and Care Excellence (NICE) definition of vulnerability to the cold. Given the transient nature of the PRS, this grant has little impact on tackling the least fuel-efficient homes in the sector. A targeted fund tackling the least efficient PRS properties could remedy this problem.

5.0 What the UK Government Should Do

- 5.1 At the UK level, the NRLA believes several changes are needed to make the retrofit of the housing stock across the country a success, including in Wales.
- 5.2 The amount that landlords should be expected to contribute to the upgrading of the energy efficiency of their properties should be linked to the average market rents in any given area, known as broad rental market areas (BRMAs). This is calculated by the Valuation Office Agency. Under our proposals, landlords would need to contribute a minimum of £5,000, whilst landlords renting properties in rental market areas with higher average rents would need to contribute more, gradually tapering to £10,000. This would mean that landlords that are less able to contribute to the improvement of the energy efficiency of their property are not disadvantaged, whilst those that are more able would contribute more.
- 5.3 The NRLA believes that the following system should be used, rather than requiring all landlords to meet the £10,000 cost cap. BRMA quintiles should be used to divide areas up into bands based on average rent levels, with those in the highest quintiles held to the full cap, whilst those in the lower groups would be subject to a decreasing cap based on rent data in their local BRMA:

BRMA quintile	Proposed cost cap
Lowest 20%	£5,000
20-40%	£6,250
40-60%	£7,500
60-80%	£8,750
Highest 20%	£10,000

- 5.4 The NRLA is also calling for a package of fiscal measures to support investment in energy efficiency upgrades.¹¹ This should include:
- The development of a new decarbonisation tax allowance for landlords who are undertaking work towards reaching net zero.

¹¹ NRLA, *Energy efficiency – financing and funding for the road to Net Zero*, December 2021, available at: <https://www.nrla.org.uk/download?document=1372>.

- VAT relief on work that is completed on a property. This should be in place for ten years to provide landlords with incentives to take action to meet the Government's targets.
- Council tax relief on properties where energy efficiency improvements are being made to rental properties when they are empty.

6.0 Striking A Balance Between Incentives and Targets

- 6.1 It is the NRLA's view that targets are meaningless if they are unable to be met. Whilst important to try and drive forward the retrofit programme and push to net zero carbon emissions, ultimately for landlords, who rely on rental properties for income, financial incentives are the best way of driving change and action.
- 6.2 Our ultimate concern is that requirements to upgrade properties without additional support make remaining a landlord unsustainable as a business model, especially for most landlords who only receive a small amount of income in rent each year and only own one or two properties. This could lead to landlords leaving the market, reducing supply whilst demand is high and leading to fewer properties being upgraded.
- 6.3 The NRLA appreciates there needs to be a balance struck between providing incentives for landlords and ensuring value for the Welsh taxpayer. That is why we are calling for any financial support to be paid in the form of low or zero interest loans, rather than grants.
- 6.4 The key in our view is to ensure that landlords see the upgrade of their properties as a net positive for them. Rent Smart Wales should outline the potential benefits to landlords when it contacts them advising them of what support is available to upgrade their properties, including an increase in the value of their property and lower running costs of the property, especially where the cost of bills is included as part of the rent.

Pwyllgor Newid Hinsawdd, yr Amgylchedd a Seilwaith /
Climate Change, Environment and Infrastructure Committee
Datgarboneiddio'r sector tai preifat / Decarbonising the private housing sector
DH2P_23
Ymateb gan / Evidence from Property Mark

August 2022

Background

1. Propertymark is the UK's leading professional body of property agents, with over 18,000 members representing over 12,800 branches. We are member-led with an executive Board of practicing agents who we work closely with to ensure that we uphold high-standards of professionalism and are able to advocate for legislative change on behalf of the sector.

Questions

The current approach to decarbonising housing in the private rented and owner-occupied sectors in Wales, including the effectiveness of existing programmes and support for retrofit;

2. Propertymark supports the Welsh Government's aims of achieving net zero by 2050 and all new homes in Wales to be heated and powered from clean energy sources from 2025¹. However, support for private rented and owner-occupied sectors in Wales have not been effective. This is due to three factors. Firstly, despite owner-occupiers and private landlords owning more than 80% of all Welsh homes², the current retrofit approach in Wales has focused on social housing only through the Optimised Retrofit Programme.³ Secondly, support for the private rented sector has only focussed on low-income families through the Nest funding.⁴ Thirdly, unlike the UK Government's Green Homes Grant scheme, the Welsh Government have not provided any grant support to landlords to meet energy efficiency targets set out in law, and homeowners to make improvements. The Green Homes Grant scheme is only applicable to landlords in England, and there is no equivalent scheme in Wales.⁵ For the private rented sector in England and Wales under

¹ <https://gov.wales/all-new-homes-wales-be-heated-and-powered-clean-energy-sources-2025>

² <https://gov.wales/independent-review-decarbonising-welsh-homes-report>

³ <https://gov.wales/optimised-retrofit-programme>

⁴ <https://nest.gov.wales/>

⁵ <https://www.gov.uk/guidance/apply-for-the-green-homes-grant-scheme>

the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015⁶ and subsequent amended legislation, it is only four years since rules came into force to ensure all private rented tenancies meet Energy Performance Certificate (EPC) Band E, but the UK Government is now proposing going to Band C by 2025.⁷ This further increases the urgency to which support for retrofit needs to be enacted. The housing stock in Wales is the oldest in the UK with many properties dating from pre-1919, and of single wall construction. Both the Welsh Government and the UK Government must understand that private landlords and homeowners have little access to funding outside of their own income to make high-cost energy efficiency improvements to their properties. Consequently, ambition and setting targets for improving energy efficiency are meaningless if opportunities and support are not offered to achieve them.

The role of sector specific retrofit targets to help drive change

3. The introduction of sector specific retrofit targets must account for the diversity in housing stock across Wales including in urban and rural areas. Well-insulated property is very energy efficient and will need very little additional heating and cooling, but housing stock differs from region to region. The Climate Assembly UK report notes that, “different properties may need different solutions – e.g. old versus new houses’ and that energy efficiency ‘needs to be individualised – solutions need to suit different households’”.⁸ To this end, the Welsh Government need to approach requirements for decarbonising housing based on the properties’ age, location and construction. This way the Welsh Government can target grants and funding support based on the archetype of a property rather than its tenure.

Actions the Welsh Government should take to progress a programme of retrofit for these sectors in the short, medium and long term;

Short term

4. In the short term, the Welsh Government must do two things. Firstly, create a long-term policy framework and route map to 2050 for retrofitting property for the private rented and owner-occupied sectors. The route map must provide confidence and trigger private investment from property owners and financial institutions. Secondly, the Welsh Government must build up the supply chain in terms of materials and equipment as well as upskill the existing workforce

⁶ <https://www.legislation.gov.uk/uksi/2015/962/contents/made>

⁷ <https://www.gov.uk/government/publications/heat-and-buildings-strategy>

⁸ <https://www.climateassembly.uk/report/read/final-report.pdf>

to ensure the targets set out in the long-term policy framework can be delivered. In November 2020, it was acknowledged by the Welsh Government that 15,000 new jobs could be created to deliver a green low carbon economy in Wales.⁹

Medium term

5. In the medium term, the Welsh Government must embark on a national communications campaign for tenants, landlords and owner-occupiers. A central part of enabling a retrofit revolution on the path to net zero will be adequately conveying the wider benefits to homeowners and landlords. Aside from helping tackle the climate crisis, benefits of improving the energy efficiency of the nation's housing stock include the cost savings on household bills. The views of landlords and owner occupiers will play a significant role in the success of retrofitting – a challenge in this area includes the readiness of homeowners and landlords to go through the process in the first place. Whatever the benefits of retrofit are in the long term, many people would be concerned with the more immediate and medium-term impacts on their lives. Results from Climate Assembly UK's findings into public perceptions of retrofitting homes showed that, in addition to the costs involved, major concern lay with the scale of disruption they would experience throughout the process.¹⁰

Long term

6. In the long term, the Welsh Government must do three things. Firstly, create customer demand for retrofitting by introducing a mechanism for landlords and owner occupiers to understand building renovation plans for their properties. This should include linking incentives to retrofit with other works or points of major renovation at a property. Secondly, introduce sustained finance through grants and delivery programmes. Thirdly, create and enforce an industry culture that ensures all jobs are done to high standards.

The key challenges of delivering a programme of retrofit within these sectors, including financial, practical and behavioural, and action required from the Welsh Government (and its partners) to overcome them;

7. We believe there are four challenges of delivering a programme of retrofit within these sectors. Firstly, in areas with low-viability properties the greatest challenge is with

⁹ <https://gov.wales/written-statement-optimised-retrofit-programme-2020-21>

¹⁰ <https://committees.parliament.uk/publications/5171/documents/52521/default/>

incentivising landlords and homeowners to take up the task of retrofitting their properties. Retrofitting, and the prices involved in doing so, remain the same regardless of geography. However, what does not is the value of property. Putting this into perspective, the same energy efficiencies demanded by the transition to a net zero economy, including wall insulations and heat pump fittings, will need to be undertaken to an equal extent in a terrace house located in Ebbw Vale with an average house price of £115,972 as one in Cowbridge with an average price of £461,417. Given the costs of retrofitting are in the tens of thousands, if the challenge of how to effectively to support retrofit properties in low value areas is not met, a divide risks being created. Secondly, there is the challenge of boosting local economic growth and place prosperity through providing opportunities for high-skilled green jobs as well as boosting local SME involvement in retrofit. Thirdly, there appears to be low awareness of current and past retrofit targets, as well as a lack of clear and concise information on how to meet these targets and the support available in doing so. Fourthly, there is a split incentive in that because landlords do not pay energy bills themselves, they do not benefit directly from the energy savings that would justify undertaking the task of retrofitting. Adding to this are the high upfront costs, which significantly impacts those landlords owning properties with lower value.

Action required

8. There are three actions the Welsh Government and its partners can take to help overcome these challenges. Firstly, provide clearer incentives and long-term clarity on timelines to ensure retrofitting can be achieved in the private rental sector and for homeowners. For example, Rent Smart Wales¹¹ have a knowledge of the makeup of the private rented sector in Wales. They are ideally positioned to build on the best practice from Welsh Government's Optimised Retrofit Programme and produce a map of the skills and work required to retrofit the private rented housing stock in Wales. Secondly, provide details of a localised funding mechanism for retrofit to help authorities in areas with low-viability housing achieve targets. For instance, the Development Bank of Wales¹² could provide loans, learning the lessons from the Green Deal that interest rates are not set too high and that the savings from the works should contribute towards the loan repayment. Thirdly, the strategy the Welsh Government takes to retrofit the private rented and owner-occupied sectors must be coordinated with planning decisions and form part of a joined-up approach to the nation's housing stock.

¹¹ <https://rentsmart.gov.wales/en/home/>

¹² <https://developmentbank.wales/>

How the right balance can be struck between influencing/incentivising homeowners and private sector landlords to retrofit their properties and regulating to increase standards to drive progress;

9. We believe that the right balance can be struck by taking a localised approach to tackling the retrofit challenge. This way the Welsh Government can develop a place specific understanding of the requirements for retrofit and identify opportunities to support homeowners and private sector landlords as well as upskill and retrain the local labour market to enter this market and emerging low carbon markets that will be a cornerstone of the net zero economy.

How effective the Welsh Government is influencing decisions on reserved matters to support decarbonisation of these sectors.

10. It is difficult for the Welsh Government to influence decisions and policy led by the UK Government such as the energy efficiency regulations. However, we urge the UK Government and the Welsh Government to continue to communicate and work together to provide solutions that account for localised needs.

Pwyllgor Newid Hinsawdd, yr Amgylchedd a Seilwaith /
Climate Change, Environment and Infrastructure Committee
Datgarboneiddio'r sector tai preifat / Decarbonising the private housing sector
DH2P_26
Ymateb gan Cyngor Adeiladu Gwyrdd y DU / Evidence from UK Green Building Council

UKGBC response to Welsh Government Call for Evidence

22 August 2022

Introduction

UK Green Building Council (UKGBC) is an industry network with a mission to radically improve the sustainability of the built environment, by transforming the way it is planned, designed, constructed, maintained and operated. As a charity with close to 700 member organisations spanning the entire sector, we represent the voice of the industry's current and future leaders who are striving for transformational change. We also work closely with local authorities across the country to support their efforts to decarbonise their built environment and in particular their housing stocks.

We welcome the opportunity to give evidence to the Climate Change, Environment and Infrastructure Committee.

- ***The current approach to decarbonising housing in the private rented and owner occupied sectors in Wales, including the effectiveness of existing programmes and support for retrofit;***

We welcome efforts by the Welsh Government to decarbonise homes, particularly the 'Optimised Retrofit' programme which seeks to support RSLs and LAs to decarbonise their own housing stock. We believe this represents a good model for England to follow. We also understand that there are plans to evolve the Optimised Retrofit programme to enable it to support the owner occupied sector and private rented sectors. We believe this approach is vital as currently we are unaware of any government led activities in place for those sectors. This means that even those homeowners/landlords that are motivated to act, and have means or access to finance, frequently fail to improve their homes' energy performance - a fundamental problem but also an opportunity (see below).

We recognise that the Welsh Government is dependent on Westminster for much policy in this space (such as Minimum Energy Efficiency Standards (MEES) legislation. However we believe there are actions that the Welsh Government can undertake to drive forward action on retrofit, as well as lobbying Westminster to provide a the necessary policy framework at the national level.

- ***The role of sector specific retrofit targets to help drive change;***

UKGBC sees a vital role for sector specific retrofit targets to help drive change in this sector. The built environment is responsible for 1 in 5 tonnes of carbon emissions in the UK and the Committee on Climate Change estimates that nearly 2 homes every minute will need to be retrofitted between now and 2050 across the UK.

Spiralling energy bills and the cost of living crisis have brought into sharp focus the need to retrofit existing homes, in order to insulate householders from further price rises, as well as meet our net zero targets.

Furthermore the recent heatwaves have highlighted the need to ensure our homes are fit for habitation in a rapidly changing climate with a greater frequency of extreme weather events.

We are calling on Westminster to introduce the following regulatory measures:

- A clear trajectory for improving the MEES for the domestic private rented sector to EPC Band C (or equivalent) by 2030;
- A mandatory minimum EPC (or equivalent) rating of C for owner-occupied homes at the point of sale.

We also believe that work is needed to identify the optimum percentage reduction in space heating demand by archetype alongside the optimum ways of providing powering and heating homes through renewable energy.

Without this underlying analysis of our housing stock and a comprehensive 'National Retrofit Strategy', each local authority, housing association, landlord and individual householder is left to work out for themselves how far they should be going on retrofit to achieve 'best carbon/energy saving bang for buck'.

The Welsh Government could undertake this analysis in advance of the UK Government and develop a Welsh Retrofit Strategy. This would ensure that all policy making and target setting is underpinned by technical analysis, and a clear understanding of the role of home retrofit in meeting Wales's Net Zero target, as well as other relevant targets around fuel poverty, job creation etc.

- **Actions the Welsh Government should take to progress a programme of retrofit for these sectors in the short, medium and long term;**

The Welsh Government should take steps to ensure there will be long term householder demand for retrofit, and build the necessary skills to deliver retrofit in tandem with rising demand. This is especially important as the retrofit industry has been badly damaged by stop-start programmes and funding streams and needs to be rebuilt.

In 2019 UKGBC and partners launched '[Accelerator Cities](#)', a programme designed to support local and combined authorities to take a lead on home retrofit, by providing a range of resources and opportunities for collaboration. We see local authorities as being critical to the delivery of retrofit. The complexity and technical nature of delivery, the need for a 'trusted' partner to give householders reassurance and the need for high levels of co-ordination across multiple actors means that local/combined authority leadership will be essential to deliver action on home retrofit.

Accelerator Cities is built on an extensive consultation in 2019 which identified the barriers and opportunities in region or city-wide retrofit strategies. We know from work done to date that a retrofit programme should include the following component parts:

- 1 - Setting out a comprehensive strategy for retrofit including undertaking a baseline assessment of local building stock and setting targets for retrofit
- 2 - Undertaking a skills map and needs assessment in the local area and supporting the development of training
- 3 - Developing/supporting 'one-stop-shops' for householders, to provide accredited advice and access to contractors, and guide and support them through the retrofit process
- 4 - Coordination of blended public and private funding sources, thereby bringing all households into the 'able to fund' sector regardless of tenure or individual circumstances

5 - Engaging with householders and landlords with messages that resonate with them as individuals to encourage them act

6 - Engaging with the supply chain for quality assured interventions, and working with the industry to build capacity and the supply chain in tandem with householder demand for retrofit.

In 2020, UKGBC and partners developed a [Retrofit Playbook](#) which is guidance for local authorities on how to develop retrofit programmes. The Playbook was well received, but many local authorities fed back that while they wanted to do more on retrofit, they felt unable to due to constrained capacity and resources.

Therefore UKGBC ran a series of workshops in March 2022 to better understand why most local authorities were struggling to act on retrofit. The workshops revealed that:

- There is a significant lack of capacity within most local authorities to work on home retrofit. Most local authorities do not even have one full time (equivalent) officer with responsibility for developing and supporting retrofit initiatives.
- The boom-bust nature of past grant funding programmes has resulted in little supply chain delivery capacity and limited retrofit knowledge / experience within local authorities.
- Many local authorities do not have programmes which can take advantage of the retrofit funding available from central government (in England).
- In most areas of the country there are not the businesses (supply chain) locally to undertake low energy retrofit, beyond basic measures, even where the homeowners are motivated to act.
- Should national government decide to provide, or stimulate, investment in low energy retrofit, many areas simply do not have the local authority experience and capacity nor supply chain to deliver.
- Existing builder, contractor and installer companies can be trained and supported to provide the needed retrofit services.
- Where local authorities have leadership buy-in and allocated resource, effective retrofit programmes have been delivered to low income and fuel poor households.
- Examples where local authorities have successful facilitated/supported owner occupier retrofit delivery do exist.
- Local authorities are ideally placed to engage with local groups that facilitate the development of the retrofit supply chain.
- Local authorities are keen to work together.

In order to try and overcome the barriers above for owner occupiers the UKGBC is developing two complementary approaches. The first is creating the essential capacity building blocks via Local Authority Facilitated Mass Scale Retrofit initiative. The second is advocating for an Energy Saving Land Transaction Tax Incentive to provide a long-term demand driver, a structural nudge.

1) Local Authority Facilitated Mass Scale Retrofit

UKGBC and partners have developed proposals to 'break the deadlock' on retrofit, and take the first step towards delivering mass scale retrofit programmes. We aim to:

- 1) Help 20 or 30 keen, but capacity limited, local authorities to encourage low energy retrofit service provision initially focused on the two most readily delivered approaches:
 - Identified small local area, multi tenure retrofit delivery (street by street) - utilising existing grant funding.

- A wider area scheme focused on homeowners, and landlords, that are motivated and have means or access to finance – without being reliant on government grant funding programmes

Once these are firmly established, widen and deepen the target markets and scale.

- 2) Provide easy to adopt materials and ‘in person’ support to help local authorities recruit and train retrofit officers, develop the strategic business cases and, as appropriate, support the procurement and mobilisation of a retrofit facilitation service provider.
- 3) Raise ‘surge funding’ to support the retrofit facilitation service during its early years and, potentially provide funding to cover some local authority retrofit officer salary costs in the first year.
- 4) Facilitate a straight-forward application process for local authorities by making the successful completion of the programme milestones the ‘gateways’ for securing the surge funding, and maintaining continued project manager support.

For more information about our proposed way forward see our appended document ‘Local Authority Facilitated Mass Scale Retrofit Brief’

2) Energy Saving Land Transaction Tax (LTT) Incentive

Structural-incentives provide flexible solutions and allow innovation. Introduction of long-term ‘structural-incentives’, such as Stamp Duty/Land Transaction Tax, would create the market conditions to create a thriving energy efficiency market giving householders and home buyers choice and becomes part of the existing home improvement culture.

Whereas the short-term nature of past grant schemes, operating in isolation, has resulted in a ‘boom-bust’ market and failed to leverage significant private finance, a structural driver would overcome this. Further, as a structural driver need not be a burden on the Treasury it can reasonably be expected to remain in place as, and when, administrations change providing the long-term demand so essential for success and lowest costs.

Structural-incentives and subsidy working together:

An Energy Saving LTT Incentive, combined with grants for lower value homes, would be a workable and effective structural solution, working seamlessly with existing green finance arrangements and policies as well as driving innovative new approaches to delivering home upgrades.

How would the Energy Saving LTT Incentive work?

- First, the energy demand of the home is calculated from the independently produced Energy Performance Certificate (already a requirement of a house sale).
- The LTT to be paid is then adjusted up or down based on the home’s calculated energy demand - the better the energy performance, the lower the tax paid.
- If the purchaser undertakes low energy improvements within 2 years, and obtains an updated EPC, a rebate would be paid as if the improvement had been made before purchase;
- The government could increase the value of the rebate paid to lower value homes to help subsidise the costs of the installed energy performance measures.
- Any recognised improvement in a home’s energy efficiency would reduce the LTT paid.

Key benefits of the Energy Saving LTT Incentive:

- Provides confidence that a home’s energy performance will be reflected in its selling price;
- Encourages homebuyers to seek advice, determine the potential energy improvements to a home, understand the costs and develop a plan at the time of purchase – alongside other renovation plans;

- Embeds necessary improvements to a home's energy performance in the wider discussion about financing the purchase together with any other improvements the homebuyer may be considering;
- Recognises most homeowners undertake significant improvement works shortly after they move in – combining these with energy improvements reduces the faff, time and disruption;
- Rewards homebuyers that improve the energy performance of their homes;
- It 'nudges' homebuyers to take action on energy efficiency in a way that is proportionate to the home's value, and doesn't impede housing sales, affordability or social mobility;
- Is not a subsidy. The Stamp Duty Incentive itself would be revenue neutral for government – i.e. stamp duty rises are off-set by stamp duty reductions. However, it is capable of being blended with grant funding for those that are struggling;
- Helps establish a stable home retrofit market creating a sustainable supply chain, jobs, and skills;

For more information see the Energy Saving Land Transaction Tax Incentive brief attached. An illustrative ESLTT Incentive calculator is available from the UKGBC.

UKGBC would be delighted to discuss these proposals in more detail with the Welsh Government. We believe adopting such an approach would achieve the crucial balance of building the market for retrofit, alongside the supply chain and capacity of the industry to deliver.

- **the key challenges of delivering a programme of retrofit within these sectors, including financial, practical and behavioural, and action required from the Welsh Government (and its partners) to overcome them;**

Please see barriers listed above in the previous section.

In addition, a number of market failures currently curtail private investment flows to decarbonise homes and make them climate resilient. Barriers to unlocking private investment have been set out by the [Green Finance Initiative](#) in their table below. Key cross-cutting themes are the upfront costs of retrofit, lack of available financial support, unclear government signals, as well as certain supply chain constraints.

- **Unclear government signals:** This can be done through confirming regulatory timelines for minimum energy efficiency standards for all housing tenures (including tightening standards in the private rented sector and gradually introducing measures for owner occupiers) and the phase-out of fossil heating systems. Measures like requiring mortgage lenders to disclose the average energy efficiency of their lending portfolio could spur innovation and interest in financial products like green mortgages.
- **High upfront costs:** Research shows that retrofitting on average costs £25k per home (with a wide distribution around the average).

Government subsidies for low-to mid income households will be essential for supporting poorer families with the upfront costs of retrofit, and can help 'pump prime' the market for heat pumps, helping lower the costs for all households. As well as grants, the government can consider partial subsidies and blended finance through loans offered through the UK Infrastructure Bank. Financial products and services like property-linked finance and salary sacrifice schemes could help spread the upfront costs of retrofit over time. Business models like heat-as-a-service can also help overcome the challenge of high upfront costs.

- Lack of available financial support:** More can be done to support innovation of new financial products and services to ensure that across the different housing tenures, and the cross-section of households within each.

Table 1: Key financial and non-financial barriers to action and investment in greener homes

	Upfront costs	Lack of financial support	Unclear Government signals	Supply chain	Other
Owner Occupied (first-time buyers, mortgaged homeowners, outright homeowners)	Higher up-front costs of low-carbon heating systems vs traditional gas boilers; costs of whole house retrofit	Lack of financial products and incentives; first-time buyers seek to minimise outgoings, highly leveraged, have limited options for further borrowing	Long-term uncertainty on schemes, nothing on efficiency for 'able to pay'. Regulatory clarity for heat, but lack of clarity on efficiency	Fragmented market and access to trained installers	Lack of access and accessibility of quality, trusted advice and information
Private Rented (small and large landlords, asset managers)	High upfront costs, particularly for multi-property portfolios; currently unable to aggregate demand	No financial incentives or support; limited capacity to leverage credit, limited awareness for acquiring finance	Lack of long-term certainty Ambiguity on new standards	Fragmented market and access to trained installers	Landlord-tenant split incentive District Heating: size of market, lack of regulatory environment

Social Rented (Including Housing Associations and local councils)	High upfront costs to decarbonise large portfolios	Higher cost of borrowing for Housing Associations than local authorities; many social landlords close to borrowing limits	Lack of long-term policy certainty and capital investment from central government	Supply chain maturity Stock often dispersed	Short-term grant profile difficult to reconcile with long-term objectives District heating: size of market, lack of regulatory environment
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We believe that the following actions from the Welsh Government and its partners could help unlock these barriers:

- Lobbying Westminster to introduce structural incentives to increase demand for retrofit, such as differential stamp duty based on energy efficiency. Further information about the proposed SDLT incentive is provided below.
 - Lobbying Westminster to provide clarification on forthcoming MEES policy.
 - Expanding the scope of the Optimised Retrofit programme to include support for the owner occupied and private rented sector
 - Adopting a model of supporting local authorities to build their capacity to drive retrofit across tenures
- **how the right balance can be struck between influencing/incentivising home owners and private sector landlords to retrofit their properties and regulating to increase standards to drive progress;**

As outlined above, to drive retrofit forward, we need a suite of regulatory drivers, incentives and subsidies, as well as support for householders and supply chains. We recognise that many of these levers reside with Westminster, and therefore we would urge the Welsh Government to lobby for their implementation:

Regulation

Industry, consumers and the market need long-term signals in order to shift behaviour at scale and pace. It is critical that timelines are published for minimum energy efficiency standards for all housing tenures (including tightening standards in the private rented sector and gradually introducing measures for owner occupiers) and the phase-out of fossil heating systems.

Measures like requiring mortgage lenders to disclose the average energy efficiency of their lending portfolio can also spur innovation and interest in financial products like green mortgages.

Incentives

Structural incentives to drive household action and investment are vital.

Introducing an *Energy Saving Stamp Duty Incentive*. As described above, this incentive would motivate homeowners to upgrade the energy performance of their homes at the point of sale of a property or shortly afterwards - a time when capital is released from equity and people commonly consider the most significant home improvements. It can also be used to drive more sustainable new homes.

Homeowners can be incentivised - nudged but not told - to improve their own homes to allow funding to be directed to those that don't have means or access to finance.

It will ensure that installation of vital energy efficiency measures become part of the house purchase process, acting as a driver for discussions with banks or other lenders about funding. The incentive will encourage people to actively think about the energy performance of the home they are considering purchasing, about potential improvements, consider any retrofit costs and plan ahead to realise the rebate, reducing the cost of retrofitting under-performing homes.

The adjustment can provide a long-term, revenue neutral, structural driver for change at scale and over time. The long term, stable character of the measure will be critical in rebuilding business confidence to invest, skill up and scale up.

This intervention is backed by groups ranging from: Consumer finance organisations, consumer facing groups, retailers, builders / installers and manufacturers.

Removing the legacy policy costs from electricity bills and moving them to general taxation. These policy costs, especially the legacy element raise the price of electricity disproportionately relative to gas. Removing these policy costs will lower bills immediately while also encouraging a switch to clean electric heating.

Targeted public funding

The cost of living crisis means that millions more households are now in critical fuel poverty. It is urgent that they are supported to reduce their gas waste and therefore bills. A new support mechanism begun this year ahead of winter would give hope and a lifeline to help struggling families to upgrade their homes. Expanding ECO to include a new "ECO Plus" scheme giving families on lower incomes access to subsidised energy efficiency measures delivered by their energy companies. With £1bn per year of additional government funding, ECO Plus could support up to 2.1m households over three years. The scheme would be only part-subsidized, and will therefore also act as an incentive to leverage private finance.

Advice and information and awareness raising

Raising public awareness of the benefits of home retrofit and making the process understandable and straightforward will be critical to drive demand and underpin successful delivery. A series of local 'one stop shops' should be supported, giving customers independent advice on energy saving measures and guiding them through choosing the right steps, finding local suppliers, and accessing relevant support. The UK has a model which could be scaled in the Home Energy Scotland service.

Skills and supply chain investment

To scale up the number of home retrofits possible a huge programme of upskilling and investment is needed across the industry. However, there is no point in training vast numbers of retrofit contractors if there is not sufficient demand for their services. Demand creation and building the supply chain need to go in tandem, as highlighted above. We believe our model can support this.

Retrofit finance options

For households that want to invest further, a number of attractive green finance options are needed, as proposed by the [Green Finance Institute](#).

- **how effective the Welsh Government is influencing decisions on reserved matters to support decarbonisation of these sectors.**

Question not answered

Energy Saving Stamp Duty / Land Transaction Tax Incentive

There is broad consensus on the requirement for net zero carbon emissions by 2050, and the Government has set itself a target of a 78% reduction in UK Greenhouse Gas emissions by 2035. However, over the last 6 years, emissions from buildings have increased, rather than fallen, with the heating and powering of the UK's 29 million homes accounting for 20% of UK carbon emissions.

Similarly, the UK's homes have been long recognised as some of the leakiest and most costly to heat in Europe - wasting vast amounts of heat. Significant increases in energy costs over the last 12 months have brought this into sharp focus.

It is recognised that the net zero homes challenge is both significant and complex. It must be delivered with the utmost efficiency.

- ⇒ **The scale** of delivery required is significant: approximately two low energy home retrofits are needed every minute, for the next 25 years.
- ⇒ **The total cost** is between £300bn and £500bn (circa £20bn per year), equivalent to 5 HS2s or 25 Crossrail projects. Whilst a huge cost, it is not so different to the increase in the value of the UK's housing stock over the last 12 months: about £450bn or 9%

The answer isn't simply more grants but a blend of investment:

Whilst targeted subsidy programmes form a part of any net zero strategy, at this scale and cost, private finance will have to be deployed to deliver the majority of improvements. So how to stimulate such a significant level of private investment? A market-based approach is required which gives householders and home buyers choice and becomes part of the existing home improvement culture.

Structural-incentives provide flexible solutions and allow innovation:

Introduction of long-term 'structural-incentives', such as Stamp Duty/Land Transaction Tax, would create the market conditions to create a thriving energy efficiency market. Whereas the short-term nature of past grant schemes, operating in isolation, has resulted in a 'boom-bust' market and failed to leverage significant private finance, a structural driver would overcome this. Further, as **a structural driver need not be a burden on the Treasury** it can reasonably be expected to remain in place as, and when, administrations change providing the long-term demand so essential for success and lowest costs.

Structural-incentives and subsidy working together:

An Energy Saving SD/LTT Incentive, combined with grants for lower value homes, would be a workable and effective structural solution, working seamlessly with existing green finance arrangements and policies as well as driving innovative new approaches to delivering home upgrades.

How would the Energy Saving SD/LTT Incentive work?

- ⇒ First, the energy demand of the home is calculated from the independently produced Energy Performance Certificate (already a requirement of a house sale).
- ⇒ The SD/LTT to be paid is then adjusted up or down based on the home's calculated energy demand - the better the energy performance, the lower the tax paid.
- ⇒ If the purchaser undertakes low energy improvements within 2 years, and obtains an updated EPC, a rebate would be paid as if the improvement had been made before purchase;
- ⇒ The government could increase the value of the rebate paid to lower value homes to help subsidise the costs of the installed energy performance measures.
- ⇒ Any recognised improvement in a home's energy efficiency would reduce the SD/LTT paid.

Key benefits of the Energy Saving SD/LTT Incentive:

- ✓ Provides confidence that a home's energy performance will be reflected in its selling price;
- ✓ Encourages homebuyers to seek advice, determine the potential energy improvements to a home, understand the costs and develop a plan at the time of purchase – alongside other renovation plans;
- ✓ Embeds necessary improvements to a home's energy performance in the wider discussion about financing the purchase together with any other improvements the homebuyer may be considering;
- ✓ Recognises most homeowners undertake significant improvement works shortly after they move in – combining these with energy improvements reduces the faff, time and disruption;
- ✓ Rewards homebuyers that improve the energy performance of their homes;
- ✓ It 'nudges' homebuyers to take action on energy efficiency in a way that is proportionate to the home's value, and doesn't impede housing sales, affordability or social mobility;
- ✓ Is not a subsidy. The Stamp Duty Incentive itself would be revenue neutral for government – i.e. stamp duty rises are off-set by stamp duty reductions. However, it is capable of being blended with grant funding for those that are struggling;
- ✓ Helps establish a stable home retrofit market creating a sustainable supply chain, jobs, and skills;
- ✓ Reduces home energy use and carbon emissions, making a major contribution to national policies on net zero, energy security, and Levelling Up;
- ✓ If running for 8 years or more, could see over 3 million homes, across the UK, upgraded to a decent level.

If the government made an announcement or **statement of intent** now, with implementation in 18 months to 2 years, homeowners considering selling would have time to act, should they wish, and businesses and government would have the time to prepare. Introducing the policy in this way would smooth roll-out and allow companies to ramp-up capacity and delivery – ensuring a quality retrofit programme for all, in the knowledge there is market demand at the end.

Organisations supporting an Energy Saving Stamp Duty include:



For more information, please contact:

David Adams, EEIG SDLT spokesperson at david@theeeig.co.uk or,
 Sarah Kostense-Winterton, EEIG Chairman on sarah@theeeig.co.uk

June 2022

Local Authority Facilitated Mass Scale Retrofit Brief

Context

In response to the Climate Emergency, the Government has set itself a target of achieving a 78% reduction in all UK Greenhouse Gas emissions by 2035 and our homes across the UK will have to be “net zero” by 2050. To achieve this, homes will need to use as little energy as possible, and the energy that is used, be clean and renewable.

However, the reality is that emissions from our existing homes have increased over the last 6 years. The heating and powering of the UK’s 29 million homes accounts for circa 20% of UK carbon emissions.

Similarly, the UK’s homes have been long recognised as some of the ‘leakiest’ and energy inefficient in Europe and expensive to heat, adding to financial pressures on our bills. Combined with the significant increases in energy costs over the last 12 months, this issue has been brought into stark focus for both the government and public.

Whilst national government has some programmes to improve the energy performance of fuel poor and low-income homes, uptake varies across the country. There are no policy drivers or programmes to encourage the ‘able to pay’ homeowners to upgrade the fabric of their homes. Where the fabric of a home is of adequate standard, there is grant support for owner occupiers and landlords to switch from gas and oil fired boilers to heat pumps.

Even those homeowners that are motivated to act, and have means or access to finance, frequently fail to improve their homes’ energy performance - a fundamental problem but also an opportunity.

There are circa 19m owner occupiers in the UK. 54% don’t have a mortgage.

Most local authorities, particularly those that have declared a climate emergency, have recognised that homes are a significant source of carbon emissions, but many do not have the capacity, resources or experience to establish programmes in their areas.

Building on the UKGBC’s Retrofit Playbook developed in 2020, the UKGBC, MCS Foundation, leading local authorities and other parties joined forces to identify successful retrofit approaches and address the barriers to adoption with the aim of catalysing ‘Mass Scale Retrofit’ programmes across the country.

Key observations gathered from five stakeholder workshops in early 2022

- There is a significant lack of capacity within most local authorities to work on home retrofit. Most local authorities do not even have one full time (equivalent) officer with responsibility for developing and supporting retrofit initiatives.
- The boom-bust nature of past grant funding programmes has resulted in little supply chain delivery capacity and limited retrofit knowledge / experience within local authorities.
- Many local authorities do not have programmes which can take advantage of the retrofit funding available from central government.
- In most areas of the country there are not the businesses (supply chain) locally to undertake low energy retrofit, beyond basic measures, even where the homeowners are motivated to act.
- Should national government decide to provide, or stimulate, investment in low energy retrofit, many areas simply do not have the local authority experience and capacity nor supply chain to deliver.
- Existing builder, contractor and installer companies can be trained and supported to provide the needed retrofit services.

- Where local authorities have leadership buy-in and allocated resource, effective retrofit programmes have been delivered to low income and fuel poor households.
- Examples where local authorities have successful facilitated/supported owner occupier retrofit delivery do exist.
- Local authorities are ideally placed to engage with local groups that facilitate the development of the retrofit supply chain.
- Local authorities are keen to work together.

Approach

- 1) To help 20 or 30 keen, but capacity limited, local authorities to encourage low energy retrofit service provision initially focused on the two most readily delivered approaches:
 - Identified small local area, multi tenure retrofit delivery (street by street) - utilising existing grant funding.
 - A wider area scheme focused on homeowners, and landlords, that are motivated and have means or access to finance – without being reliant on government grant funding programmes

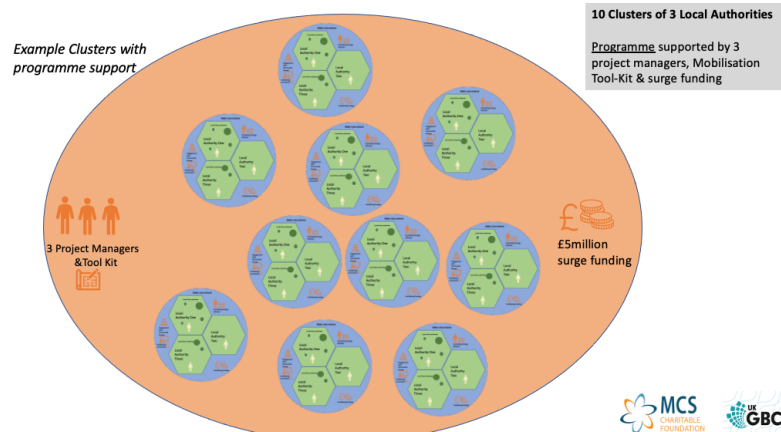
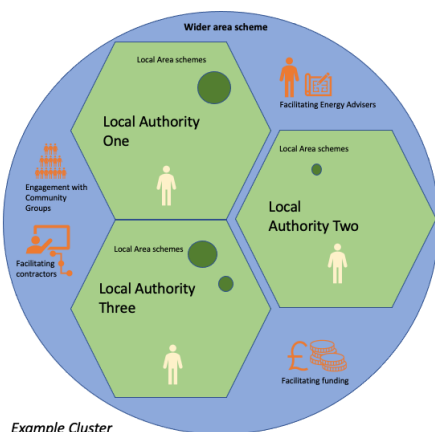
Once these are firmly established, widen and deepen the target markets and scale.

- 2) Provide easy to adopt materials and ‘in person’ support to help local authorities recruit and train retrofit officers, develop the strategic business cases and, as appropriate, support the procurement and mobilisation of a retrofit facilitation service provider.
- 3) Raise ‘surge funding’ to support the retrofit facilitation service during its early years and, potentially provide funding to cover some local authority retrofit officer salary costs in the first year.
- 4) Facilitate a straight-forward application process for local authorities by making the successful completion of the programme milestones the ‘gateways’ for securing the surge funding, and maintaining continued project manager support.

Broad structure

Clusters of local authorities come together to procure, or provide themselves, a retrofit facilitation service for owner occupiers.

Each will commit to employing a full-time (equivalent) retrofit officer who is responsible for engaging and coordinating with all the appropriate parties within the Local Authority. Utilising resources currently in development the retrofit officer will develop the business case, drawing heavily on template documents and support from programme project managers, for the wider area retrofit delivery programme, and work with colleagues to apply for government funding for the local area retrofit scheme delivery.



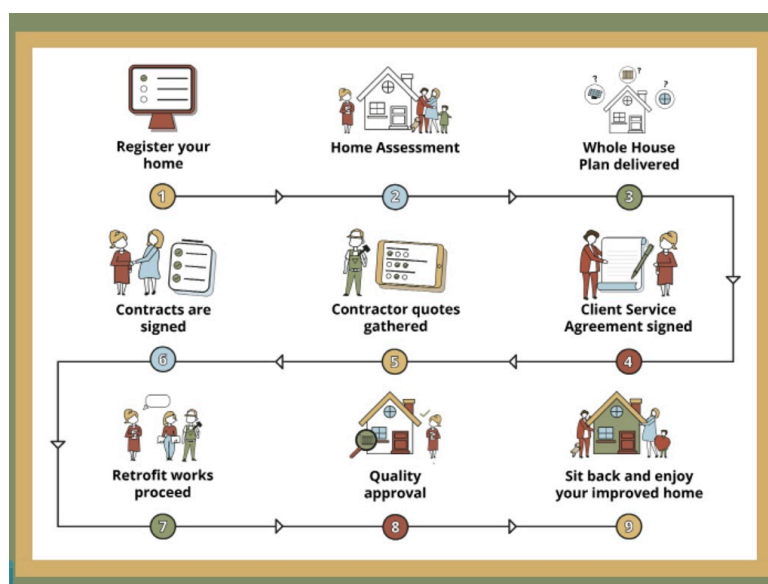
Wider Area Retrofit scheme

To provide a sufficient pipeline of owner occupiers that are ‘early adopters’ - circa 400k to 500k homes – across 3 or 4 local Authorities work together to form a cluster and procure, or set up, a Retrofit Facilitation Service.

The Retrofit Facilitation Service has a number of key roles:

- Co-designing the service, together with the local authority, with strong engagement with local groups and businesses, to meet local needs and aspirations.
- Engaging with potential householders, often via existing trusted community groups, and helping these households on their retrofit journey.
- Identifying, and working with local businesses to develop retrofit design & delivery skills/capacity.
- Providing householder support and independent advice throughout the retrofit journey.
- Providing quality assurance.
- The local authorities in the cluster would determine if the retrofit facilitation service also undertakes retrofit works, although this has additional implications and may place it in unhelpful competition with potential local providers.

An example customer journey is shown below:



Courtesy of RetrofitWorks

Experience suggests that, after a very strong initial surge of pent-up demand, interest grows modestly.

A conservative estimate is year 2 circa 50 retrofits per annum rising to circa 600pa in year 5 per cluster. The recent increases in energy costs may well increase this if prices stay at current levels.

Local Area Scheme

A tried and tested approach is the delivery of retrofit to small defined local areas consisting of typically 100 to 200 poor performing homes, in low income areas and across all tenures.

Needing full or high level of grant funding, these schemes are often financed through a combination of central government, energy company obligation and local authority (historically through EU support) money. Despite the track record of success, many local authorities currently do not have the capacity of bandwidth to engage with these programmes.

The 'other half' of the local authority Retrofit Officer's role would be to support, coordinate and drive the application and delivery of local area schemes so at a minimum one programme is 'in delivery' at any one time. A sustained programme of delivery is required to build capacity, drive down cost and drive-up quality. It is better to have three schemes running in series than three delivered concurrently.

The customer journey is similar to that with the wider area scheme, but much more can be done as a community together from initial engagement through to handover. Indeed, one of the most effective approaches to household engagement is to employ keen local residents, develop their retrofit skills and knowledge and have them undertake many of the engagement tasks with appropriate support. This is not only more efficient but also invests in the local community and leaves a legacy to keep initiatives running after the work has finished.

Once a base of capacity is established scaling can be undertaken by running programmes concurrently as well as in series provided funding can be maintained. Experience from the energy company obligation CESP schemes, Welsh Governments ARBED amongst others, again shows it is perfectly possible to run multiple schemes concurrently once supply chain capacity is established. Subject to funding, it is entirely possible to consider 4 schemes concurrently from year 5 at circa 800 homes per year per cluster.

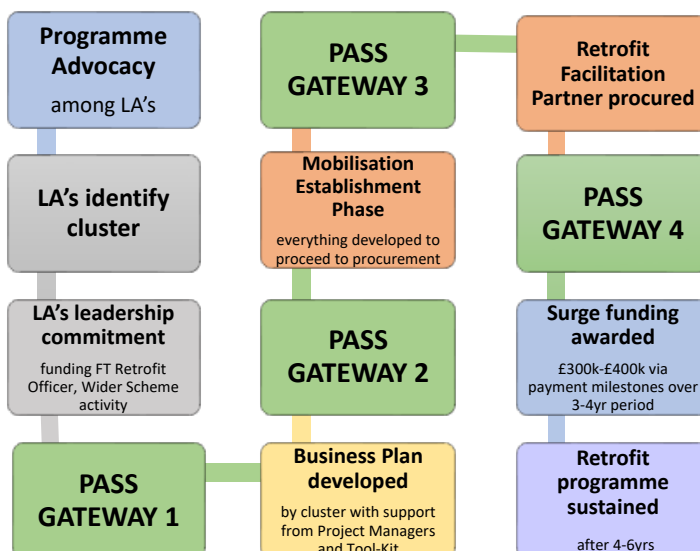
Overall impact

In year 5 a conservative estimate is 600 retrofits per year from the wider area scheme and up to 800 homes per year, subject to funding, for the local area scheme. A total of 14,000 homes pa across 10 clusters. If scaled up to all local authorities in the country that would be 140,000 homes pa, of which 60,000pa would not be dependent on grant funding.

Clearly the 140,000, let alone the 60,000 'able to pays', per year is not sufficient to deliver net zero by 2050. Policy drivers will be required to scale demand to the necessary levels. What the mass scale retrofit programme is intended to deliver is the early supply chain capacity and local authority knowledge building which is an essential step in achieving the established local foundations required for incentivised scaling to launch from.

Local authority Mass Scale Retrofit programme journey

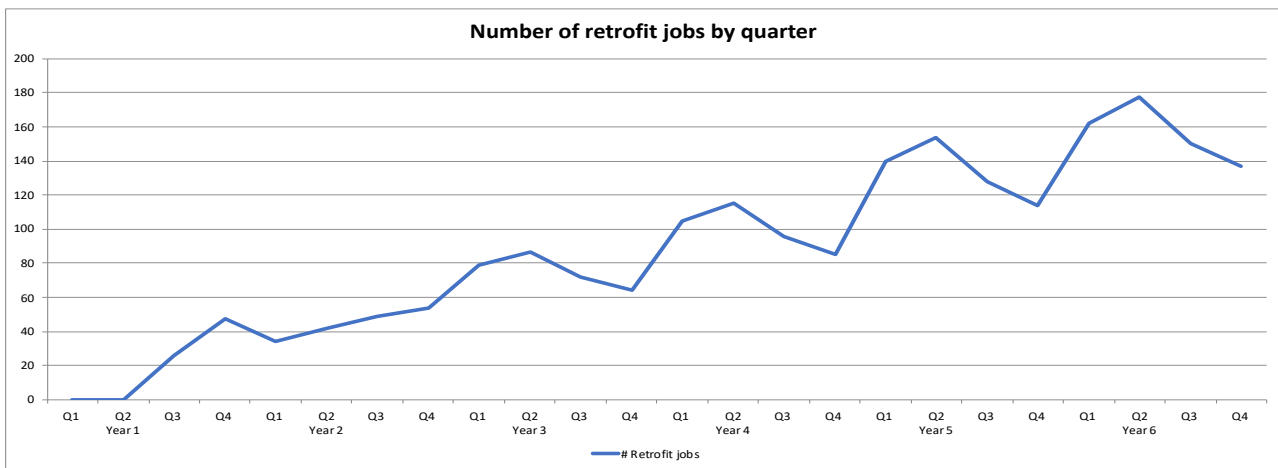
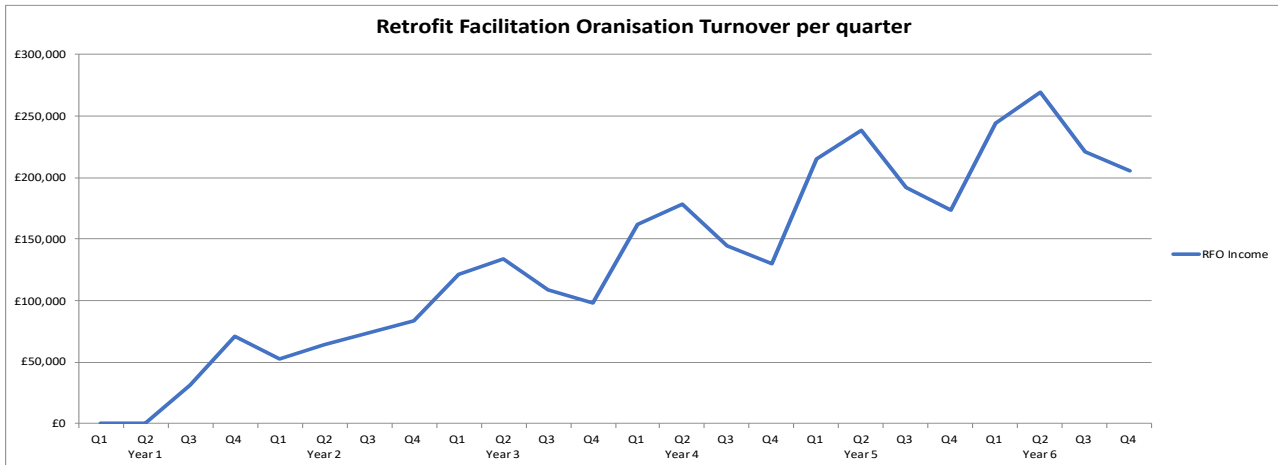
The intention is for the application process for local authorities is very simple, using a series of gateways to trigger additional support and ultimately the surge funding. Throughout the process the local authorities are supported by project managers and resource tool kits.



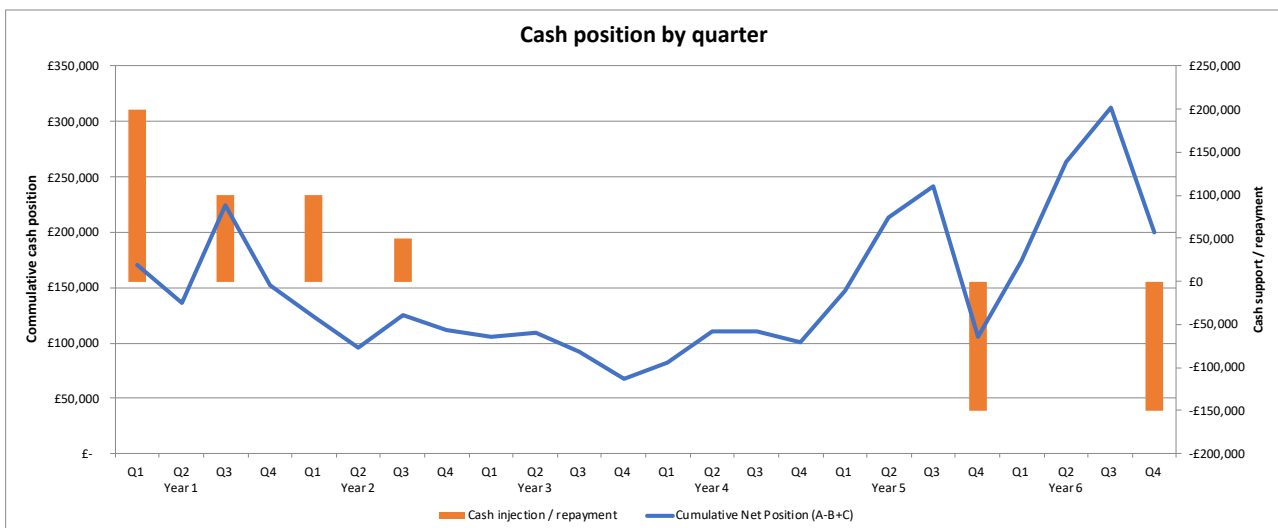
Model Retrofit Facilitation Service financials

Drawing on, and compiling, cost and revenue data from existing schemes a model cash flow has been developed to illustrate the wider area retrofit scheme economics from initial setup to self-sufficiency.

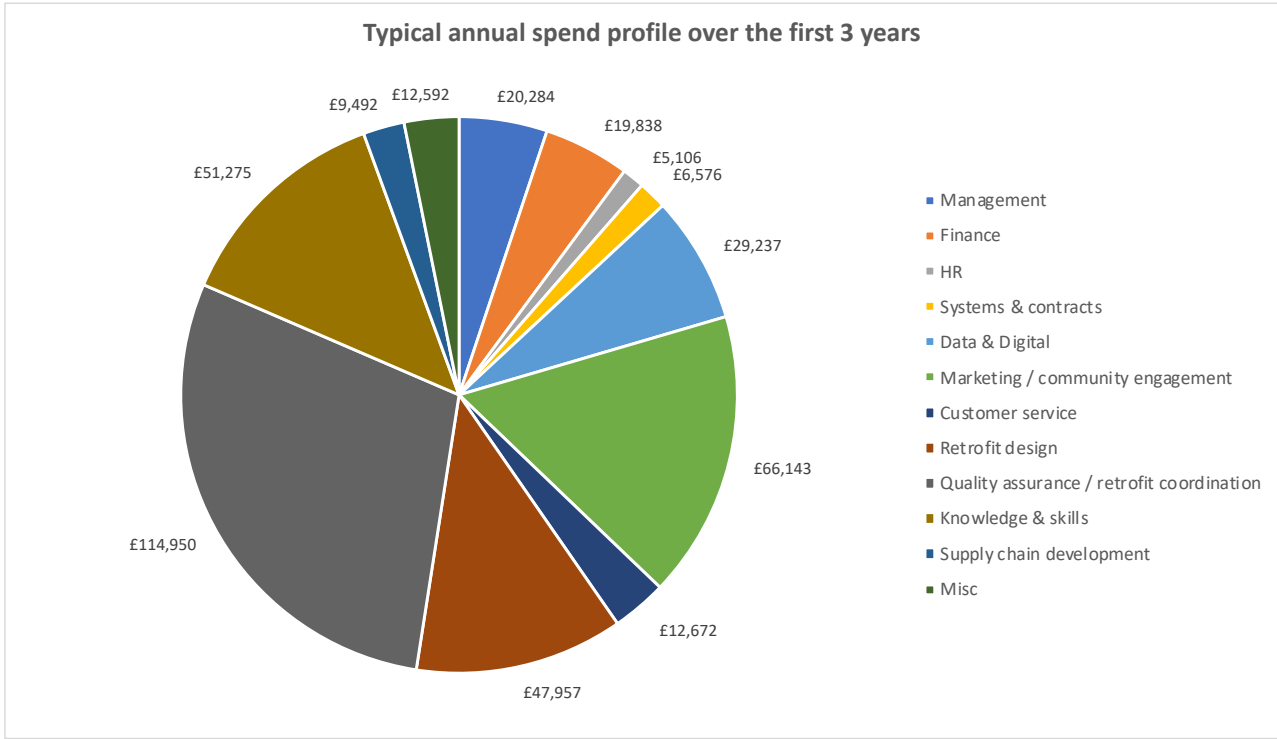
Turnover steadily builds as increasing work is undertaken.



Cash support is required to cover initial set up and while volume of work builds. Year 3 and 4 run at break even and a surplus is made from year 5. From year 5 it is anticipated that the initial finance would be either reinvested, repaid to a lender or into a revolving fund to re-invest in further start up clusters.



An example spend profile is shown below. Note the costs of works are not included as the retrofit contracts are between the householder and contractor and do not flow through the retrofit facilitation organisation.



Pwyllgor Newid Hinsawdd, yr Amgylchedd a Seilwaith /
Climate Change, Environment and Infrastructure Committee
Datgarboneiddio'r sector tai preifat / Decarbonising the private housing sector
DH2P_22
Ymateb gan Y Sefydliad Adeiladau Siartredig (CIOB) /
Evidence from Chartered Institute Of Building (CIOB)

Introduction to the Chartered Institute of Building (CIOB)

The Chartered Institute of Building (CIOB) is the world's largest and most influential professional body for construction management and leadership. We have a Royal Charter to promote the science and practice of building and construction for the benefit of society, and we've been doing that since 1834. We have over 1,500 Welsh members that work in the development, conservation, and improvement of the built environment, and thousands more worldwide.

Y Sefydliad Adeiladu Siartredig (CIOB) yw corff proffesiynol mwyaf a mwyaf dylanwadol y byd ar gyfer rheoli ac arwain adeiladu. Mae gennym Siarter Frenhinol i hyrwyddo'r gwyddoniaeth a'r arfer o adeiladu er budd cymdeithas, ac rydym wedi bod yn gwneud hynny ers 1834. Mae gennym dros 1,500 o aelodau o Gymru sy'n gweithio ym maes datblygu, gwarchod a gwella'r amgylchedd adeiledig, a miloedd yn fwy dros y byd i gyd.

We accredit university degrees – including at Wrexham Glyndwr University, with more institutions and courses in Wales pending accreditation – educational courses, apprenticeships, and training. Our professional and vocational qualifications are a mark of the highest levels of competence and professionalism, providing assurance to clients and authorities who procure built assets.

Rydym yn achredu graddau prifysgol – gan gynnwys ym Mhrifysgol Glyndŵr Wrecsam, gyda mwy o sefydliadau a chysiau yng Nghymru yn aros i gael eu hachredu – cyrsiau addysgol, prentisiaethau a hyfforddiant. Mae ein cymwysterau proffesiynol a galwedigaethol yn arwydd o'r lefelau uchaf o gymhwysedd a phroffesiynoldeb, gan roi sicrwydd i gleientiaid ac awdurdodau sy'n caffael asedau adeiledig.

Our [Welsh Manifesto](#) outlines our policy goals for the construction sector in Wales, and we have a significant programme of work covering an array of policy areas. These include climate change and sustainability; equality, diversity, and inclusion (EDI), and mental health. Much of our policy work supports the aims of *The Wellbeing of Future Generations Act*.

Mae ein [Maniffesto Cymreig](#) yn amlinellu ein nodau polisi ar gyfer y sector adeiladu yng Nghymru, ac mae gennym raglen waith sylweddol sy'n cwmpasu amrywiaeth o feysydd polisi. Mae'r rhain yn cynnwys newid yn yr hinsawdd a chynaliadwyedd; cydraddoldeb, amrywiaeth a chynhwysiant (EDI), ac iechyd meddwl. Mae llawer o'n gwaith polisi yn cefnogi nodau Deddf Llesiant Cenedlaethau'r Dyfodol.

The role of sector specific retrofit targets to help drive change

While targets set by UK government are welcome as a display of ambition in the context of climate change, these centrally set targets often belie the detail required to achieve them at the local level. For instance, for the Boiler Upgrade scheme the maximum grant available to most of the public is £5,000, or £6,000 for rural areas. This still leaves thousands of pounds to pay which, given the current cost of living crisis, and with exponentially rising energy costs, many people are unable to afford.

Actions the Welsh Government should take to progress a programme of retrofit for these sectors in the short, medium and long term

Short Term

In the short term the Government can be a market maker for retrofit by re-examining the tax treatment of green building processes. For instance, council tax rebates, or deferring the land transaction tax (formerly stamp duty) on properties that have been purchased – by individuals, groups or businesses - with the sole purpose of improvement.

While finance is crucial, evidence suggests that simply granting money to retrofit without grappling with consumer sentiment does not deliver significant results.¹ For investment to have a meaningful impact, policy should be informed by the heterogeneity of household preferences.

The tax system is frequently used to achieve desired policy outcomes in the built environment. For instance, In Ireland, tax exemptions for refurbishing vacant property, refurbishing properties in city centres, and tax-free incentives for occupiers to rent out rooms in their property have been trialled in recent years.² In Northern Ireland there is tax relief on spending on research and development by construction firms to encourage innovation and increase productivity in the sector.

Furthermore, there is precedent for making alterations to stamp duty specifically to achieve national policy goals. A stamp duty holiday was introduced in the UK in 2020 to incentivise transactions in the property market during the COVID-19 pandemic. Buyers completing a purchase on a property for less than £500,000 before 1 July 2021 did not have to pay stamp duty.³ The government introduced the holiday in the hope of maintaining transactions and driving economic growth.

Given that the tax system – and stamp duty in particular – is frequently used as a lever to achieve wider policy goals, could reductions in Land Transaction Tax in Wales now be used in the context of carbon emissions and sustainability policy?

¹ Tensay Hadush Meles, Lisa Ryan, Sanghamitra C. Mukherjee, Heterogeneity in preferences for renewable home heating systems among Irish households, *Applied Energy*, Volume 307, 2022, 118219, ISSN 0306-2619, <https://doi.org/10.1016/j.apenergy.2021.118219>.

² <https://www.revenue.ie/en/property/stamp-duty/claiming-a-stamp-duty-refund/residential-development-refund-scheme/index.aspx>

³ <https://www.comparethemarket.com/mortgages/content/stamp-duty-holidays/>

Medium term

The CIOB has consistently argued that for any policy initiative in the built environment to be successful, it needs to be accompanied by appropriate resourcing. We urge Welsh Government to publish a resourcing plan to accompany the Optimised Retrofit Strategy.

There is some evidence that retrofit supply-side actors are overlooked or marginalised in retrofit policy design.⁴ We therefore urge Government to engage with industry as they develop policy in this area. Given the risk averseness of the retrofit and renovation sectors, policy needs to offer incentives and solutions that reflect the installer's business motivations. CIOB advocates increased dialogue between policy makers and private businesses, in terms of what is realistically deliverable. Research has found that the most effective policy programmes in the USA engaged with supply contractors on an ongoing basis, so that the perceived benefits of participating in a programme outweigh their costs and compared favourably with a business as usual approach.⁵

Long term

An equivalent Welsh Housing Quality Standard for the private housing sector will need to be established, with a focus on adaptability and retrofitting of properties. Similar pathways to the Target Energy Pathways outlined in the WHQS2023 would be prudent to implement, to give homeowners, landlords, and tenants a clear picture of what they need to do to decarbonise their properties.

This could link with a duty on local authorities to carry out an increased frequency of Housing Health and Safety Rating System ([HHSRS](#)) inspections to ensure that these are being implemented, and that properties remain safe for occupants.

If changes to the tax system to incentivise retrofitting are to be effective, any changes made need to be long term. During the construction process, the investor incurs costs; hence, uncertainty about the continuation of a tax scheme creates risks and disincentivises investment.⁶

The key challenges of delivering a programme of retrofit within these sectors, including financial, practical and behavioural, and action required from the Welsh Government (and its partners) to overcome them

As outlined, the financial challenges are significant and as such policy strategy on retrofit must be accompanied by an appropriate resourcing plan. Furthermore, the costs of greener heating

⁴ Gooding, Luke Michael and Mehreen Saleem Gul. "Energy efficiency retrofitting services supply chains: A review of evolving demands from housing policy." *Energy Strategy Reviews* (2016): 29-40.

⁵ Aaron Gillich, Minna Sunikka-Blank & Andy Ford (2018) Designing an 'optimal' domestic retrofit programme, *Building Research & Information*, 46:7, 767-778, DOI: 10.1080/09613218.2017.1368235

⁶ Neuhoff, Karsten & Aemecke, Hermann & Novikova, Aleksandra & Stelmakh, Kateryna & Deason, Jeff & Hobbes, Andrew. (2011). Using Tax Incentives to Support Thermal Retrofits in Germany.

technologies are significant, and any policy initiative should target a scaled up approach in order to achieve economies of scale.

Practical problems will also need to be overcome: trusted installers for new heating technologies are hard to identify. A lack of public knowledge on the installation of heat pumps, for example, may lead rogue traders to take advantage of people and install a heat pump in a property where it is not appropriate. This is especially a risk for older or other vulnerable people. CIOB Academy already runs several courses on sustainability in construction. CIOB also accredits Higher Education Degrees on topics related to sustainability in the built environment. We would be happy to work with Welsh Government and Senedd Committees to create a ‘badging’ system, creating CPD for the installation of new retrofit heating technologies to ensure that this is seen as a mark of trust.

From a behavioural perspective retrofitting Wales’ housing stock will require a cultural shift, both by industry and by consumers. CIOB recently published a discussion paper on how a cultural shift by industry towards retrofit and away from demolition can be engendered by changes to the tax system.⁷

From a consumer perspective, the benefits of the heating technology, such as lower running costs in the future despite high up front spending, need to be at the forefront of any Welsh Government promotion. Given consumers’ historical reluctance to embrace retrofit, we would recommend a comprehensive national awareness and demand generation campaign. There are significant costs associated with retrofitting a home. Awareness of the benefits is part of addressing this but tapping into existing habits around consumer spending on construction also needs to be part of the strategy.

As part of a public information campaign, organisations such as CIOB, its partners, and third sector organisations in Wales could help Welsh Government share success stories from Optimised Retrofit Programme (ORP), and from private sector properties

To align consumer sentiment and to ensure funding is effective in creating uptake for retrofit the CIOB is proposing a ‘Help to Fix’ loan scheme, which would involve the provision of interest free loans by Government directly to owner occupiers for a large range of measures which, while predicated on improving energy efficiency, would also extend to other measures including loft conversions, extensions, annexes and home improvements. This would leverage the already high demand for home improvements in the economy to improve the energy efficiency of Wales’ housing stock.

There are also well-known issues with Staffing and Recruitment in the industry. The Construction Industry Training Board (CITB) estimates that 12,000 new recruits will be needed in Wales by 2028, most of whom will “deliver improvements to existing buildings to reduce energy demand”⁸, which means training should start now.

Professional bodies like CIOB stand ready to work alongside Government to decarbonise the sector and embrace ways of working that better adhere to the principles of the circular economy. However,

⁷ <https://www.ciob.org/news/scottish-government-urged-to-protect-scotland%E2%80%99s-built-environment-from-unnecessary-and-%E2%80%98cheap%E2%80%99-demolition>

⁸ https://www.citb.co.uk/media/bdrbdlmo/b06414_net_zero_report_wales_v7.pdf (p. 2)

the industry faces several challenges in so doing. To realise the sector-wide shift to embrace the circular economy, a long-term, collaborative strategy will be needed to address skills shortages, consumer preference and awareness, and the existing barriers to embracing circular economy principles.

From an industry perspective, perpetual volatility in demand for construction has led firms, particularly SMEs, to curb capital and education investment because spending on research and development (R&D) brings high fixed costs that are difficult to cut in an economic downturn. Accordingly, the lack of available finance is a major stumbling block for SMEs investing in tools and skills that could help to improve waste management and mitigation and decarbonise work practices. Creating a Green Skills Fund to channel low-cost, long-term loans to SMEs specifically for investment in formal, sustainability focussed R&D would address this and lead to sector-wide improvements in sustainable practices. A similar fund exists in Holland, where the MKB+ (Innovation Fund for SMEs) gives construction firms access to finance to embed innovative new products, services, and processes in their business.

How the right balance can be struck between influencing/incentivising home owners and private sector landlords to retrofit their properties and regulating to increase standards to drive progress

Regulation and influencing the decision to decarbonise owner-occupier tenures should be a balancing act. Greater regulation will likely be needed for the Private Rented Sector (PRS), however. For the former, we have already outlined our view of the possibility of LTT reductions in Wales to encourage retrofit measures, and arguably similar measures could be implemented to encourage improving the EPC ratings of properties.

It is unrealistic to expect every property in Wales will be able to reach EPC A without demolishing and rebuilding some older properties. As such, targets for lower EPC (or alternative rating systems due to issues with SAP/EPC), should be set with regard to the specific nature of the building in questions, rather than having a blanket EPC A policy. While this is admirable as an aspiration, it does not reflect the reality that it is not feasible for many buildings to achieve EPC A. For example, there are many heritage buildings which simply cannot be brought up to A rating, and policy needs to reflect this.

Due to this, we are reluctant to say that every property should reach one specific EPC rating, especially given the difficulties for a property to score higher than EPC B appropriate energy generation and storage systems⁹. It is also questionable whether every property in the private sector will be able to afford the measures needed to reach a higher EPC rating without significant financial intervention from UK and Welsh Governments. As such, it may be more prudent for regulations to include mandatory target energy pathways, unique to individual properties, as we have already outlined and that form a part of the WHQS2023. This may change when technology necessary for decarbonisation, such as solar panels and heat pumps, become cheaper thanks to increased demand and economies of scale.

⁹ https://gov.wales/sites/default/files/consultations/2022-05/draft-whqs_3.pdf (p. 26)

There should be a UK-wide push to ensure all properties are insulated, with Government funding made available to do so. This would hopefully make other energy efficiency measures more affordable for the majority of households. But interest free loans, council tax reductions, and further grants should be on offer to encourage homeowners and landlords to undertake these measures.

Failure to implement energy efficiency measures in a property line with its target energy pathway by a predetermined date should lead to regulatory implications, such as higher LTT when selling an energy inefficient property, or not being able to sell a property until some measures have been undertaken. For properties that successfully undertake measures outlined in their pathways, or that go beyond these to improve council tax reductions or lower LTT could also be made available.

We have, however, already outlined how Welsh Government messaging should shift to ensure that the benefits of retrofit are front-and-centre, and that should equally be the case for – and go alongside – EPC rating improvements. We know that energy efficient properties will be more financially efficient as well, with households spending less on their energy bills in more efficient properties: ensuring that this is common knowledge across Wales is likely to create a behavioural shift and make more people install greener heating technology and take advantages of funding to do so.

On the other hand, stronger regulation for the private rented sector (PRS) will be integral to the success of the private housing sector. The Chartered Institute of Housing's Tyfu Tai¹⁰ report states that:

- The PRS sector accounts for 16% of Wales' housing stock, and is the worst tenure type for energy performance;
- Tenant and landlord engagement, a lack of targeted information & advice for both landlords and tenants, and low trust and communication between tenants, letting agents, and landlords, is likely to drive disengagement;
- Landlords are also prone to "split incentive", where landlords do not receive the benefits – financial, comfort, or otherwise – from energy efficiency measures, so may be less willing to front the cost for their rented properties to do so.

With that in mind, incentivisation for landlords to decarbonise their housing stock is less likely to be successful when compared with owner-occupier tenures. As such, we recommend implementing changes to the Minimum Energy Efficiency Standard (MEES) and bringing the minimum EPC rating landlords much achieve up. Currently MEES guidelines only require an EPC E minimum. To ensure success, MEES regulations will need more regulation, with appropriate financial sanctions for landlords that fail to improve the energy efficiency of their properties.

¹⁰ <https://www.cih.org/media/zbccclbu/0510-ttc-decarbonising-wales-private-rented-sector-v5.pdf> (pp. 2-3)

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DH2P_28
Ymateb gan Sefydliad Brenhinol y Syrfewyr Siartredig (RICS) /
Evidence from Royal Institution of Chartered Surveyors (RICS)



Committee Response

Decarbonisation of housing: decarbonising the private housing sector

Response by the Royal Institution of Chartered Surveyors (RICS) to the Senedd Climate Change, Environment, and Infrastructure Committee.



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Introduction

On behalf of the Royal Institution of Chartered Surveyors (RICS), can we begin by thanking you for the opportunity to respond to this important consultation that addresses one of the major roadblocks towards Wales achieving its net zero ambition.

The decarbonisation and energy performance improvement of Welsh housing is critical to tackling climate change and as you will see through our response, will also play a role in helping to address the current cost of living crisis and drive-up quality and comfort standards in homes.

About RICS

Established in 1868, RICS is the largest organisation of its kind in Wales for professionals in property, construction, land, and related environmental issues. With 2,500 members in Wales, our professionals work daily to drive up standards in housing, create more energy-efficient homes and measure the effects of climate change.

Our work to support the decarbonisation of housing in recent months includes:

- Advising the Welsh Government Decarbonisation Implementation Group on exploring the role of mass retrofit assessments to target decarbonisation and energy performance works.
- Supporting the Welsh Government with the expansion of Building Passports across the medium-to-high rise building sector, which will enable RMI, safety and sustainability upgrades to be planned holistically – saving money, disruption and increasing transparency for tenants.
- Calling on UK Government to [cut VAT on home improvement works](#), to create parity on new builds and shift the focus to retrofitting existing buildings rather than demolition and construction – reducing the carbon footprint of the sector and preserving historic properties.
- Developing the [RICS Low Carbon Homes Consumer Guide for Wales](#) to provide impartial advice on the services and simple steps available to create more energy efficient homes and reduce carbon and published our '[Retrofitting to Decarbonise](#)' [policy paper](#).
- Collaborating with several Welsh brands (including Monmouthshire Building Society, Sero Homes and Rightmove) and housing bodies to explore the incentivisation of retrofitting and energy efficacy in the private housing sector – helping to identify the existence of a green premium in higher rated EPC properties.

Summary of recommendations

Recommendation 1 – The Welsh Government should review, as a priority, the criteria for any future advice and fiscal support created by the Warm Homes Programme with an estimate 69% of Welsh households potentially in fuel poverty by 2023. This will help support the decarbonisation of homes, and the cost-of-living crisis.

Recommendation 2 – The Welsh Government should consider immediate provision of support to improve the energy performance (not just emergency funding to support the cost-of-living crisis such as the Energy Bills Support Scheme. By UK Government) of EPC E, F and G homes in Wales, who are at risk of seeing an almost £1000 difference in energy bills than an EPC C property.

Recommendation 3 – Clarity on future remits of the Optimised Retrofit Programme should be sought to understand how greater cooperation with the private sector can be expanded following the lack of significant involvement to date.

Recommendation 4 – The Welsh Government should explore opportunities for mandating professionally delivered retrofitting assessments (also known as Whole Home Surveys/Assessments) on properties likely to receive public funding towards decarbonisation and energy improvement works to ensure adequate measures are installed. RICS are currently working on [BS 40104 Assessment of dwellings for retrofit](#) to support this.

Recommendation 5 – All devolved governments and UK Government should

work together to develop a consistent approach towards energy measurement and target setting – with both the Scottish and UK Government’s already reviewing their own EPC improvement plans.

Recommendation 6 – The Welsh Government should call on UK Government to deliver clarity on any proposed energy performance portfolio targets for the financial sector, which will strengthen calls to act and encouraging retrofitting.

Recommendation 7 – The Welsh Government needs to develop a strategy to address properties at risk of becoming ‘trapped assets’ – for example properties identified as uneconomical by landlords for improvement works, disposed of, and then purchased by homeowners with low levels of disposable income in a limited housing market – increasing fuel poverty risks and failing to decarbonise.

Recommendation 8 – The Welsh Government should review the use of exemption registers in a targeted market to ensure data, and the quality of such data, suitably justifies a property being on the register.

Recommendation 9 – The Welsh Government should launch an emergency energy usage reduction fund to support individuals in installing adequate heat proofing and ventilation measures, reducing CO2 emissions and in turn, energy bills.

Recommendation 10 – The government should create an advice service that proactively reaches out to vulnerable private homeowners, rather than one that is reactive and based on inbound interest,

potentially delivered by local authorities, and based on a preferred supplier list for installers to ensure quality.

Recommendation 11 – The Welsh Government should set a clear strategy for the decarbonisation of housing in Wales, including target numbers and dates for properties to meet certain energy performance ratings.

Recommendation 12 – Reform of the planning process should be undertaken to strengthen the need to demonstrate why demolition is the preferred choice for a building over investment in retrofitting. If it is simply an economic choice with marginal differences, the government should explore the potential use of a levy on demolition.

Recommendation 13 – The Welsh Government should create parity with the rest of the UK and offer Degree Apprenticeship funding for those skills that will have an influential role in delivering retrofitting and decarbonisation – not just installers but also surveyors, planners, and architects.

Recommendation 14 – The Welsh Government should review future building regulations to look at the possibility of mandatory Solar PV (and other measures) on new build properties.

Recommendation 15 – Opportunities should be explored to introduce several funding schemes to help the private housing sector. This can include work with the Development Bank of Wales on potential funding and equity schemes, or simply funding retrofit work, as recommended by the Future Generations Commissioner for Wales, due to the savings on investment through GDP, energy costs and health benefits.

Recommendation 16 – Alongside scaling up the number of retrofit assessments undertaken as suggested in ‘Recommendation 4’, the Welsh Government should also look at implementing a large-scale Building Passport programme to help homeowners know what is required and to better target funding.

Recommendation 17 – Planning systems need to reform to remove the need for approval on simple measures such as the installation of a heat pump. The government should also explore the use of street-wide approved schemes to maximise environmental and economic benefits, such as community heating schemes.

Recommendation 18 – The Whole Life Carbon Assessment, and similar tools, should be utilised by government and local authorities to measure and report on decarbonisation progress.

Recommendation 19 – The Welsh Government should look at the powers it has to introduce target improvements and MEES-style regulation/penalties for owner occupier homes, which would be a catalyst for behavioural change and education.

Recommendation 20 – The Welsh Government should look to incentivise traditional energy installers to upskill and switch to greener technologies, potentially through grants.

Recommendation 21 – Any future retrofit incentive programme should take a comprehensive approach to energy improvement and not target one simple measure, supported by a retrofit assessment to identify priority works.

Recommendation 22 – A review of greater regulation and professional competency of retrofit and decarbonisation professionals should occur, with cooperation by all developed and UK governments.

Recommendation 23 – The Welsh Government should review the Barnett Formula to understand if it is a suitable model for funding decarbonisation based on the demographic of Welsh housing and homeowners.

Recommendation 24 – The Welsh Government should use the ongoing inquiry into upfront property information to review opportunities to understand how consumer awareness can increase about energy performance. For example, in the private rental sector, there could be scope to inform potential tenants about wider costs than just rent and council tax, such as average energy consumption, and thus cost.

The current approach to decarbonising housing in the private rented and owner-occupied sectors in Wales, including the effectiveness of existing programmes and support for retrofit.

- The current approach toward decarbonisation in housing in Wales is severely fragmented - in terms of regulation, support, and financing. To date, a significant amount of investment by Welsh Government has focused on the social housing sector (through initiatives such as the Optimised Retrofit Programme) and those most vulnerable to increasing energy bills (classed in Arbed as having an EPC E, F or G rating). Outside of Minimum Energy Efficiency Standard (MEES) regulation, little has been introduced for the private housing sector in Wales.
- Resources need to be prioritised towards the 1.2 million private homes in Wales – where the greatest carbon footprint is found in the built environment – along with growing energy usage, costs, and comfort challenges. Improved building regulations now mean new build properties already perform above average, and in 2020/21, almost 90% of new build properties were averaging EPC A or B ratings.

As the statistics below demonstrate, only 1 in 5 owner occupied homes in Wales even achieve EPC C or higher – a worrying figure when considering that homes with an EPC E or F rating could pay on average almost £1,000 more a year in energy bills than a similar property with an EPC C rating.¹

Percentage of Welsh houses achieving EPC C or higher

Existing owner occupier	20.82
Existing private rent	30.16
Existing social rent	55.69
New owner-occupied	96.63
New private rent	80.43
New social rent	99.69

Source: [ONS Energy efficiency of Housing, England and Wales, country and region March 2021](#)

- While schemes like Arbed and Nest provided a valuable service, especially for those in the private sector, Audit Wales reported that between April 2018 to March 2021, an estimated 16,042 received free energy efficiency advice (and even less had actual measures installed) – representing only 1% of the total housing market. With recent estimates suggesting almost 69% of Welsh households could be in fuel poverty by the start of 2023, there will be a significant increase in demand for such services.
- Those services, especially Nest, where the current scheme is scheduled to end March 2023, operate in a means testing method that would exclude many of the new households entering fuel poverty, for example, private homeowners in employment, but with little to no disposable income due to increasing cost of living pressures.

¹ Data provided by the [Energy and Climate Intelligence Unit \(ECIU\)](#).

- Similarly, the most significant Welsh Government programme currently active in Wales towards residential decarbonisation, the Optimised Retrofit Programme (ORP), is focused almost exclusively on the social housing sector, which represents c16% of the Welsh housing sector. In comparison, the owner occupier sector, which has virtually no non-private sector support towards decarbonisation or even meaningful regulation, represents c69% of the housing market in Wales.²
- It is understandable that ORP is targeting the social housing sector – not only because tenants are often the most vulnerable to financial pressure, but it is also one of the easiest tenures to regulate and deliver change - as demonstrated through the Welsh Housing Quality Standard. One of the objectives of ORP from its commencement was to develop best practice, supply chains and consumer behaviour understanding that would cascade to the wider private sector.

The second iteration of ORP originally sought to explore opportunities for PRS properties to utilise ongoing work to social homes – however this ultimately failed to yield meaningful results, in part, because many landlords had already taken action due to incoming MEES regulations or because simply, many were not planning any upgrade works at that time – despite the potential for long-term cost savings.

- Where publicly funded schemes for private sector decarbonisation, retrofitting and energy improvements do exist, questions remain on the suitability of what improvements result from such works. For example, in England, the Green Homes Grant did not require a form of retrofit assessment – so it was difficult to evaluate if certain measures installed were done so to optimum levels and at the right stage of the property journey e.g., new heating sources without first having suitable and adequate ventilation and insulation.

This has improved slightly with the current heat pump grant provided by UK Government, which requires no outstanding insulation requirements. Indeed, the Welsh Government Warm Home Fund required a heat pump to be recommended in a retrofit assessment, and ready to be installed, as part of its requirement before releasing funding.

- MEES regulation in the PRS is having an impact based on data, with recent Rent Smart Wales statistics showing approximately 5000 homes with an EPC rating of F and G, out of 205,000. Anecdotal evidence from RICS residential insight points to a change in landlord behaviour – with many opting to undertake improvement works (given the relatively low cost of moving up one EPC rating in a poor performing house) and giving greater consideration to future property investments.
- Questions also remain over the effective use of energy measurement, specifically the current EPC methodology. Although not a devolved matter, it is important to acknowledge limitations in the current SAP EPC framework given a large number of Welsh Government decarbonisation and retrofit programmes are developed and targeted around EPC ratings.

While reform of the EPC process is ongoing, and SAP 10.2 and SAP11 address elements of the challenge, EPCs were never designed to be an energy improvement tool for government – in

² Figures based on March 2020 StatsWales data - <https://statswales.gov.wales/Catalogue/Housing/Dwelling-Stock-Estimates/dwellingstockestimates-by-localauthority-tenure>

part, given domestic ratings are set by estimated usage and cost – rather than real time data. Furthermore, it is important to acknowledge that certain properties, such as historic and listed buildings, naturally have lower EPC grades due to the nature of their structure and fabric – although overall energy performance may exceed that of more modern builds (1919 – 1950/60 housing).

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The role of sector specific retrofit targets to help drive change.

- Data is demonstrating that minimum sector retrofit targets, and indeed minimum standards, are helping to drive change in Wales. The more regulated the tenure, the higher the performance. Almost 60% of existing social homes in Wales achieve an EPC A-C, driven by strict retrofit and improvement standards, compared to just 20% in a poorly targeted and regulated existing owner-occupier sector.
- MEES regulation in the PRS is having an impact based on data, with recent Rent Smart Wales statistics showing approximately 5000 homes with an EPC rating of F and G, out of 205,000. Anecdotal evidence from RICS residential insight points to a change in landlord behaviour – with many opting to undertake improvement works (given the relatively low cost of moving

up one EPC rating in a poor-performing house) and giving greater consideration to future property investments.

- RICS research and polling (as seen on page 11) suggests the need for sector-specific targets to drive forward change, especially in the owner-occupier sector. Homeowners know they should act, and indeed many have a basic understanding of some of the measures to take, however, given the significant upfront costs of retrofitting (even with government support), it is difficult to see large-scale uptake by consumers without the introduction of targets and potential penalties.
- RICS also advocates for a greater 'carrot and stick' approach towards support and targets for retrofitting. In many cases, financial incentives alone will not be sufficient to encourage mass-scale retrofitting. As an example, there are growing calls for the introduction of a green stamp duty levy (one of the few fiscal powers the Welsh Government has at their disposal). The principle is simple – a poor-performing home has a higher rate of stamp duty, and if that home increases to a higher energy performance within a set period after purchase, they will get a rebate and potentially additional financial rewards.
- However, while the green stamp duty rewards consumers for retrofitting, the financial return against the cost of installing measures would not be a sufficient motivator in the view of RICS. Given the significant upfront costs of retrofitting required to benefit from the financial return of such stamp duty, homeowners could just pay the increased amount and fail to undertake the work. That said if owner-occupier targets and regulations were introduced, then this would give an additional incentive to act.
- UK Government has also been exploring opportunities to encourage large-scale retrofitting by creating targets for the lending market. Initial proposals by UK Government would see financial lenders give annual declarations of the EPC portfolio of their mortgage book, with a target of 2030 for lenders to achieve an average of EPC C. In the view of RICS, this would be one of the strongest levers UK Government could use to target and drive forward change – and will significantly increase the importance of communication, consumer awareness and the need to act. It will also allow for greater opportunities for green lending products. However, since the consultation closed in February 2021, there has been no update on progressing these plans.
- While RICS advocates the introduction of targets as a stimulus to drive change, we urge the government to consider the unintended consequences, such as the creation of trapped assets or the pushing of homeowners with low levels of disposable income into poor-performing homes - resulting in increased energy costs. Meaningful exemption registers (with a review of the quality of EPC assessments) and increased financial support for improvement work for at-risk properties should be considered. This will be important as it will also help limit risks of entering fuel poverty, increase comfort and quality of life, and reduce potential health challenges resulting from damp and cold homes.

Recommendation 6 – The Welsh Government should call on UK Government to deliver clarity on any proposed energy performance portfolio targets for the financial sector, which will strengthen calls to act and encouraging retrofitting.

Recommendation 7 – The Welsh Government needs to develop a strategy to address properties at risk of becoming ‘trapped assets’ – for example properties identified as uneconomical by landlords for improvement works, disposed of, and then purchased by homeowners with low levels of disposable income in a limited housing market – increasing fuel poverty risks and failing to decarbonise.

Recommendation 8 – The Welsh Government should review the use of exemption registers in a targeted market to ensure data, and the quality of such data, suitably justifies a property being on the register.

Actions the Welsh Government should take to progress a programme of retrofit for these sectors in the short, medium and long term.

Short term

- Wales and the UK is suffering from a significant squeeze on the cost of living, with an estimated 69% of Welsh households expected to be in fuel poverty by the start of 2023. This is exacerbated by Wales having some of the oldest housing stock in Western Europe, and some of the lowest median incomes in the UK too.

The Welsh and UK Governments are currently investing heavily in short term interventions to support the cost-of-living crisis, such as the £150 council tax rebate and the Energy Bills Support Scheme. However, while these are short term interventions to help with rising fuel bills, further government support should be launched to reduce the cause of high energy usage to begin with, and in turn, the carbon footprint of the home.

For example, the Energy Saving Trust estimate that a typical semi-detached home, could have cavity wall insulation installed (if suitable) for £1,200, saving energy costs c£300 per year and importantly also reducing CO2 emissions by an average of 670kg³. As a recent RICS survey showed, consumers are having to prioritise immediate financial costs, even though long-term benefits would support them.

- Advice and support services are limited in Wales, with Arbed now closed and the current Nest scheme running until March 2023. There is a need to undertake a targeted support service approach and the creation of a Wales-wide, open to all programme too.

A targeted support service should be created to help those most vulnerable in the private housing market to show them what advice and financing is available – as well as delivering the works. RICS is thinking of pensioners who may own their home outright, but without proactively approaching support themselves, may well fail to take action to decarbonise their home, and be faced with higher energy costs. Such a service could be administered by local authorities and use a network of trusted and preferred installers to deliver such works.

³ <https://energysavingtrust.org.uk/advice/cavity-wall-insulation/>

Recommendation 9 – The Welsh Government should launch an emergency energy usage reduction fund to support individuals in installing adequate heat proofing and ventilation measures, reducing CO2 emissions and in turn, energy bills.

Recommendation 10 – The government should create an advice service that proactively reaches out to vulnerable private homeowners, rather than one that is reactive and based on inbound interest, potentially delivered by local authorities, and based on a preferred supplier list for installers to ensure quality.

Medium term

- Wales lacks a decisive political targets for decarbonisation of private housing. Net Zero Wales sets out an ambitious programme of activity in the residential sector, but actual targets for retrofitting and energy performance is reserved for the social housing sector and new builds - especially through improved building regulations. This is not simply a Welsh problem, even at a UK level the ambition for the owner occupier sector is simply 'as many homes as possible EPC C by 2035, net zero by 2050'. Without tangible targets, it will be difficult to plan, fund and resource decarbonisation strategies.
- In the UK, there is a considerable tax imbalance where VAT applies for most repair, maintenance and improvement works, yet removed entirely in cases of demolition and new build. This goes strongly against the principles of the circular economy and ambition to reduce embodied carbon where simply upgrading and retrofitting an existing property is preferable. While VAT is not devolved, the Welsh Government and planning authorities can use their powers to strengthen the need for a business case for demolition over retrofitting to be presented first.

Furthermore, with in-action by UK Government on the matter, the Chartered Institute of Building (CIOB) recently published a report in Scotland that looked at the challenge facing the Scottish Government on this matter and recommended that a potential levy be introduced for demolition to create a limited form of parity.⁴

- Education remains a significant challenge for decarbonising house. While RICS welcomes the creation of retrofitting academies in Wales and the introduction of the Built Environment GCSE and A Level, there remains a significant education deficit and disparity. For example, Degree Apprenticeships in surveying, planning and architecture - skillsets that have a significant role to play in decarbonisation - do not receive funding in Wales, yet do in England – despite a climate emergency declaration. As a result, RICS have cases where students have simply sought education and employment outside of Wales, further exhausting the future skills required for this work.
- Simple reforms to planning regulations can also achieve decarbonisation. While approximately 90% of new build homes are achieving EPC A or B, many, despite being in favourable locations, still fail to have simple measures such as Solar PV installed. For developers, the lack of Solar PV by default is simple in many cases – it is not reflected in increased property values to offset additional costs. In contrast, the EU is set to make Solar PV installation, where possible, mandatory for all domestic and non-domestic new build properties within the next few years.

⁴ <https://www.ciob.org/industry/policy-research/levelling-playing-field>

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Recommendation 14 – The Welsh Government should review future building regulations to look at the possibility of mandatory Solar PV (and other measures) on new build properties.

Long term

- Financing remains one of the most significant challenges to overcome. The Future Generations Commissioner for Wales predicts that a national programme of investment in decarbonisation of housing will be required – at a cost of £15bn by 2030. In return, that investment is estimated to save over £8.3bn in energy costs (with that figure based on pre-April 2022 data), generate £19.32bn in additional GDP and save over £4.4bn in associated health, social and environmental benefits.⁵
- A regular theme among homeowners RICS has engaged with to understand attitudes towards decarbonisation is cost. Many do not have the funds to pay for the work up front, overall energy cost reductions don't result in financial benefit, and the only return on investment is currently in property sales, where RICS estimates that on average, improving a home's EPC rating by two or more, can typically increase sale value by 12%. That said, there is a significant geographic discrepancy too – where £25,000 spent on retrofitting in Southeast England could see a similar uplift in value, such a cost in parts of Wales would not be reflected.
- The Welsh Government could explore financing opportunities it possesses, such as equity schemes and the Development Bank of Wales. For example, the government could offer to fully subsidise retrofitting costs, with costs reclaimed as a % of value at a future sale, or the release of equity in a set period – like the Help to Buy Wales scheme.
- The lack of data is a major challenge for decarbonisation. At present, many homes have retrofit work installed but without a holistic, independent retrofit assessment delivered first. This can cause problems in the quality of the work. Furthermore, if the government

⁵ <https://www.futuregenerations.wales/wp-content/uploads/2021/07/ENG-Exec-Summary-Financing-the-decarbonisation-of-housing-in-Wales.pdf>

embarked on a large-scale retrofit assessment programme, the results would enable government to greater target at risk properties, those easiest to retrofit and allocate sufficient funding. Such a large-scale retrofit assessment programme could also generate Building Passports, which will create a central location for information to a specific building – helping to support current and future homeowners, policy makers, and as you will see below, planning.

- Several popular retrofit measures currently require a degree of planning permission, such as heat pump installation and in cases of conservation and listed properties, some forms of insulation – increasing pressures on under-resourced planning authorities. Opportunities should be investigated to loosen permitted development rights on retrofit measures to ease the pressure on the planning system.
- As referenced above, there are opportunities to utilise data, large-scale retrofit assessments and Building Passports within planning. This is because, in many cases, retrofitting makes more economic and environmental sense when incorporating multiple dwellings and units. For example, in a row of terrace houses, solid wall insulation, which can often have the biggest cost and carbon benefit of any type of insulation, is most effective if the entire terrace has the work undertaken at the same time. Building passports could help identify where such opportunities are possible, allowing for automatic planning approval, and to support funding the entire works at once.
- There is an important need to also ensure adequate measurement and tracking of decarbonisation work occurs, in part to record the effectiveness of retrofit work on a property, but to ensure it is net zero verified. RICS have developed the [Whole Life Carbon Assessment](#) guide to support professionals in measuring decarbonisation and net zero verification. The guide, already used, by the Mayor of London's office for tracking decarbonisation, and the Welsh Government have recommended its use in the ongoing Welsh Housing Quality Standard. The Welsh Government should look to expand its use to ensure effective tracking of future decarbonisation strategies.

Recommendation 15 – Opportunities should be explored to introduce several funding schemes to help the private housing sector. This can include work with the Development Bank of Wales on potential funding and equity schemes, or simply funding retrofit work, as recommended by the Future Generations Commissioner for Wales, due to the savings on investment through GDP, energy costs and health benefits.

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The key challenges of delivering a programme of retrofit within these sectors, including financial, practical and behavioural, and action required from the Welsh Government (and its partners) to overcome them.

- RICS recently commissioned a large UK-wide survey to examine consumer attitudes towards retrofitting and decarbonisation, with over 4,300 respondents helping identify where the significant challenges sit relating to financial, practical and behavioural thinking in the private housing sector. The key findings include:

- When asked why a homeowner has not installed energy efficient upgrades and undertaken retrofitting of their home, **51% (46% in Wales) stated that the cost was too high. 41% (54% in Wales) also said that the need to prioritise finances** on the current cost of living was a priority.
- Only **8% of respondents highlighted that retrofitting being complicated** to understand was the reason they have not acted yet.
- **55% of respondents** in Wales and the UK, would be more encouraged to undertake decarbonisation and retrofitting works if it **made their property more attractive towards prospective buyers.**
- When asked how much a homeowner would expect to pay to make their home greener if it made the property value more attractive, **55% (59% in Wales) would pay up to £5,000.**
- **79% of respondents** in Wales and the UK would want to see retrofitting and decarbonisation **works undertaken on their property imminently if it meant a reduction in energy costs** and support towards the cost-of-living crisis.

Source: RICS YouGov Polling June 2022

- As highlighted above when discussing the role of targets, the lack of significant regulation and penalties makes focusing consumer minds on acting to retrofit difficult. Although financial products and loans are already available, take up is minimal. If, however, greater regulation came into force, such as the requirement for lenders to achieve EPC C averages by 2030, this will be a major catalyst for change – due to the risk of struggling to remortgage or secure a new mortgage without committing to retrofitting within a certain time, or the risk of devaluing your home.
- The lack of regulation and legislated targets also makes communicating the need to act harder for those who can influence a consumers' thinking. For example, an RICS surveyor, when undertaking a home survey, will flag risks to the property. At present, flagging the need to retrofit a home rarely is a priority to a new buyer – however highlighting that failing to retrofit will damage future values and mortgage access, would carry greater strength – but only if in regulation. Similarly, when purchasing a property, lenders and mortgage brokers will be in a stronger position to communicate the benefits of green products – something which could change with a growth in upfront property information. This, however, depends on UK Government taking decisive action on lender reform.

- A growing number of governments and organisations are now of the opinion that without large-scale intervention, little progress will be done. The Future Generations Commission for Wales has said that without significant public funding, little progress will occur. Other governments are taking radical action too – such as in Italy where the government has introduced a ‘superbonus’ scheme, offering 110% funding for retrofit works – with the last 10% for offsetting taxes. This was done in response to the need to stimulate the economy in a property market with a large number of older homes, but also recognising its aging population, low incomes, and growing fuel poverty.
- The skills required to deliver this programme of retrofit is essential to address. Education, such as the Built Environment GCSE and calls for greater Degree Apprenticeship funding is important, but so is upskilling and change within the supply chain.

The Social Housing Decarbonisation Fund Demonstrator by UK Government highlighted the extent of the skills and supply chain scale in the UK and Wales – with 17 local authorities signed up, 9 failed to deliver any retrofit and only one achieved its goal. Access to materials and labour was the most significant challenge to those local authorities, with a review of the scheme finding:

- UK Government estimated there were upwards of 4,000 heat pump installers in the UK – a report by the Independent Networks Association show’s there is actually less than 1,200.⁶
- 70% of air source heat pumps are currently imported and only one manufacture currently makes ground source heat pumps in the UK.⁷
- Many traditional installers and boiler manufacturers still focus on traditional fossil fuel systems – with investment in upskilling, new supply chains and production methods not offset by the current demand for greener products. Furthermore, while UK Government have removed VAT on the installation cost of certain retrofit products, supply chain VAT for manufacturing this technology is still in place. New building regulations on the use of fossil fuel heating systems could be a catalyst for this change, but this will need to be monitored closely.
- The Green Homes Grant Voucher Scheme review by the National Audit Office should help the Welsh Government understand the challenges facing any future mass-scale, private sector retrofit programme. Key findings include:
 - Delays in issuing vouchers (i.e., cash grants), resulted in delays and withdrawal of applications – 52% of applications were withdrawn or rejected.
 - Certified installers were difficult to secure – out of 880 TrustMark registered retrofit installers, only 248 registered to participate in the Green Homes Grant – with most citing the difficulty in recertification and registration process, and limited window for applying as the reason for not joining.

⁶ <https://www.building.co.uk/news/less-than-half-the-number-of-qualified-heat-pump-installers-than-government-claims-report-finds/5112269.article#:~:text=The%20Department%20for%20Business%2C%20Energy,pump%20installers%20in%20the%20UK.>

⁷ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/943712/heat-pump-manufacturing-supply-chain-research-project-report.pdf

- The scheme gave priority to installing low carbon heat technologies and not installing energy efficiency doors, windows, and insulation – something Nesta commented on in an insight workshop with RICS, as one of the easiest and cheapest measures to install and deliver increased thermal comfort.
- No retrofit assessment was required ahead of placing an application, meaning there was an increased risk to installing the wrong measures in a home, or not prioritising another works such as insulation and ventilation.

While the Green Homes Grant Voucher Scheme did not apply in Wales, it does help to highlight the scale of the challenge in any potential green incentive.

- RICS is also concerned about the lack of professional qualifications, independence, and regulation in the retrofit market. At present, many homeowners only seek the advice on an installer of a certain measure, rather than taking a whole home assessment first. The installer, naturally, will prioritise their product and work over other measures. This is leading to problems already, with unsuitable measures being installed in certain properties such as spray foam insulation. As an example, homeowners will typically employ an RICS Surveyor to undertake a Home Survey, which identifies the risks to a property and can provide an independent valuation of the home. Surveyors must declare any conflict of interest, are regulated by RICS, and must adhere to strict CPD requirements. No such requirements exist for retrofit assessors and experts.
- The British Standards Institution is currently developing BS 40104 Assessment of dwellings for retrofit as a benchmark for the standard in retrofit assessment, however this will need to be mandated by government for all suitable professionals to follow when doing the work. While regulation of such a marketplace will and should sit with UK Government (in part due to the considerable number of cross-border businesses), it is certainly an area Welsh Government could call for action on for greater consumer and taxpayer protection.

Recommendation 19 – The Welsh Government should look at the powers it has to introduce target improvements and MEES-style regulation/penalties for owner occupier homes, which would be a catalyst for behavioural change and education.

Recommendation 20 – The Welsh Government should look to incentivise traditional energy installers to upskill and switch to greener technologies, potentially through grants.

Recommendation 21 – Any future retrofit incentive programme should take a comprehensive approach to energy improvement and not target one simple measure, supported by a retrofit assessment to identify priority works.

Recommendation 22 – A review of greater regulation and professional competency of retrofit and decarbonisation professionals should occur, with cooperation by all developed and UK governments.

- RICS have already commented on several occasions in our response to the need for greater regulation and incentives together.
- MEES in the private rental sector is having an impact, with a growing number of properties now meeting regulations, and only an estimated 5000 failing to meet

requirements or being placed on an exemption register. It is also important to note that alongside MEES, landlords can also benefit from the boiler upgrade scheme.

- A 'carrot and stick' approach is needed, as demonstrated in our example of a green stamp duty – which without regulation, could simply see homeowners simply pay more tax rather than act.
- It is important to ensure that regulation does not simply result in asset sell-off, and shifting poor-performing, and expensive houses to upgrade to the lower end of the market. RICS has already seen evidence that some social and private landlords have simply disposed of inefficient and expensive-to-retrofit housing stock, thus helping on paper to meet regulations, but not actually decarbonising the housing stock. The nature of the housing market in recent years and the limited stock, has also meant that consumers desperate to get on the housing ladder, may have ended up purchasing those disposed of homes due to the price and availability – and now facing high energy bills and usage, as well as calls to retrofit.

How effective the Welsh Government is influencing decisions on reserved matters to support decarbonisation of these sectors.

- There are varying degrees of influence on reserved matters the Welsh Government are effective at. Within the private rental sector, MEES, while set by UK Government, has been delivered in Wales with the support of Rent Smart Wales – helping to drive compliance and direct resource and advice to landlords. Within the owner occupier sector, outside of building regulations, there has been little influence on reserved matters.
- The Welsh Government can set energy performance targets and regulations, but funding any incentives or programmes will either need to be drawn down from the existing Welsh Government budget or secured through UK Government.
- One of the most powerful levers to driving change in the owner occupier sector will be the reforms on mortgage lenders to meet EPC C averages by 2030. However, UK Government has not made any formal announcement of these plans, and despite its potential to both incentives and regulate the market, Welsh Government has little say on this matter. Indeed, many of the private financing solutions to decarbonisation will sit at a UK level.
- Proposed changes in upfront property information required at a point of sale, driven by the Levelling Up & Regeneration Bill and the Law Society, could present opportunities for the Welsh Government to review consumer information in Wales on energy performance and decarbonisation needs.
- When looking at any public schemes, the Welsh Government will still require significant funding from UK Government to finance any major improvement programme. Further research will need to be undertaken to understand if the Barnett Formula is the correct funding model to use, given Wales has a disproportionately high number of older homes and lower levels of disposable income.

- There are certain matters RICS recommends will require a joined-up approach between governments, to ensure consistency and supply chain access. For example, any reforms to EPCs should be done at a UK-wide level to ensure a consistent methodology is created, even though targets can vary between nations. Any investment in upskilling and supply chain incentives should also consider that many firms will work across the UK. RICS talked about the importance of creating a more regulated, qualified marketplace for retrofitting and installers, this again should be delivered at a UK level due to the high proportion of cross-border work.
- There are also a growing number of homeowners who have switched to 'green energy tariffs,' thinking in part it can help to remove their reliance on fossil fuel energy in their homes but are also seeing their energy bills increase significantly. This is in part due to the nature of the National Grid and apportioning costs from their overall source. This is important because although it is a UK-level influence, it means there is no financial incentive for homeowners in Wales to switch to a greener provider.

Recommendation 23 – The Welsh Government should review the Barnett Formula to understand if it is a suitable model for funding decarbonisation based on the demographic of Welsh housing and homeowners.

Recommendation 24 – The Welsh Government should use the ongoing inquiry into upfront property information to review opportunities to understand how consumer awareness can increase about energy performance. For example, in the private rental sector, there could be scope to inform potential tenants about wider costs than just rent and council tax, such as average energy consumption, and thus cost.

For Attention of: The Climate Change, Environment and Infrastructure Committee

Welsh Parliament,
Cardiff,

BY EMAIL ONLY: SENEDDCLIMATE@SENEDD.WALES

RE: DECARBONISATION OF PRIVATE HOMES – CALL FOR EVIDENCE

Friday, 19 August 2022

Your Ref.:

Our Ref.: 22-08-18_WG Decarbonisation of Private Homes Call for Evidence

To Whom It May Concern,

Sero was founded in Wales in 2017, and we are a “B-Corporation” business headquartered in Cardiff with a mission to deliver Net Zero Carbon in homes. We provide digitally-led, technical expertise that offers solutions for creating and retrofitting net zero homes, and operating these homes efficiently to support ongoing net zero carbon and minimise energy costs. Sero received £5.5m joint investment from Legal & General’s Clean Energy Fund and Hodge Bank at the end of 2021, further enabling our ongoing scale-up to support delivering the decarbonisation of homes. Our team of more than 80 people are currently actively supporting nearly 1,000 new build homes and 6,000 retrofit homes across all tenure types (a pipeline growing for 2023 and beyond). We also undertake collaborative research to help tackle the barriers to wider and faster adoption of net zero carbon in homes.

In this context, we are grateful of the chance to respond to Welsh Government’s call for evidence, and would welcome the opportunity to support with more detailed information on any of the topics outlined on the following pages.

Your sincerely,



Andy Sutton ^{RIBA}

CoFounder & Chief Innovation Officer

CC: James Williams, CoFounder & Chief Executive Officer, Sero

Enc.:



Welsh Government's call for evidence has been framed around six questions, and we have endeavoured to structure our responses to reflect these.

The current approach to decarbonising housing in the private rented and owner occupied sectors in Wales, including the effectiveness of existing programmes and support for retrofit;

The Energy Company Obligation Scheme 3 (ECO3), recent Heat and Buildings Strategy heat pump grant, and forthcoming ECO4 are administered UK-wide, whilst Wales has the ongoing schemes such as ARBED and NEST endeavouring to operate outside of social homes. Whilst Wales's schemes have largely been commendable in their intent to tackle those at greatest risk of [fuel] poverty, the schemes overall have not delivered at the scale that is urgently required or with the genuine impact on measured carbon emission reductions. Furthermore, with limited coordination between all the Welsh and UK government initiatives, there has been significant opportunity for confusion.

In short, there is much opportunity for Wales to provide an enlarged, coordinated, and clearer programme in the future, building from valuable lessons learnt from past efforts.

The role of sector specific retrofit targets to help drive change;

Wales has around 1.4m homes currently in existence, and in the period to 2050 is likely to build slightly in excess of ¼ million new homes at current rates. Of these existing and new build homes, we estimate just under 1.4m will be private owner/occupiers or private landlords in 2050. With typical homes currently emitting 3-4 tonnes CO₂^{eq}, this means that private homes emit more than 5 million tonnes CO₂^{eq} annually.

Our work to anticipate sector/tenure specific retrofit activities in Wales forecasts social landlord retrofit activities growing most rapidly to around 28,000 homes per year in 2030 (driven by Welsh Housing Quality Standards); private landlords having a slower delivery (largely due to non-compliance with limited enforcement through local authorities and Rent Smart Wales) peaking at 8,000 homes per year through the decade of the 2030's despite Minimum Energy Efficiency Standards (MEES) requirements already in place UK-wide for 2025/2028 and anticipated ratcheting standards subsequently. Owner/occupiers are divided in our modelling into mortgaged and unmortgaged, due to the different levers required, with mortgaged owner/occupiers increasing adoption to a plateau of 22,000 homes from 2032 until nearly 2050. Unmortgaged owner/occupiers are expected to be later movers, only peaking around 2040 at similar rates of homes.

Sector, or tenure, specific targets should be considered in the context of these forecast adoption rates. Firstly, such targets should only be used provided the underlying metric used is not tenure specific. Our experience shows that homes change tenures over their lifespan, and whilst sector/tenure specific targets may drive that sector, some homes will change tenure during the period. We are currently seeing evidence of this with social homes, where divestment strategies around "hard to treat" properties by some social landlords move these homes into the private landlord or private owner/occupier tenures. This is a potentially undesirable outcome given their respective capacities to reliably decarbonise homes.

Specific targets should also ideally be relative not absolute in nature: They should recognise the technical limitations to retrofit measures that exist, and judge homes relative to the possible retrofit works which could be undertaken. This is counter to an absolute measure that takes no account of how technically appropriate it is for homes, such as Listed properties, to achieve a nationally determined level. A relative target resolves many of the issues currently causing concern around the EPC approach, though it will require work to support digital building passports and assessments of how far a home can be improved.

Target success metrics for decarbonisation must therefore align across all tenures/sectors, even if target timescales do not, whilst recognising the unique nature of Welsh homes. The success metric for decarbonisation should be measured (not modelled) via the smart meter and grid carbon intensity for each home, delivering an actual carbon footprint in kg CO₂^{eq} per year. This is the most achievable and accurate

mechanism available, with measured readings via smart meter deployment already outpacing coverage compared to modelled solutions such as Energy Performance Certificates. This measured carbon target is transferrable between tenure/sectors, as well as aligning with wider Wales Net Zero measurements, Greenhouse Gas Scope 1/2/3 protocols and Climate Change Commission reporting.

Sector/tenure specific targets for retrofit within the above qualifications do provide the opportunity to accelerate the scale up of home retrofits, and in doing so enable the supply chain to become familiar with the retrofit measures required. Our work leading the Optimised Retrofit Pathfinder collaboration investigated these skills under “Decarb Army” work with SMEs and training providers. A notable part of the reported skills gap relates to familiarity rather than lack of fundamental skills, and as such a staged scale up through staggered targets may help tackle this.

Actions the Welsh Government should take to progress a programme of retrofit for these sectors in the short, medium and long term;

Our research work and practical application of retrofit at scale suggests Welsh Government would most benefit the acceleration of retrofit in amongst private landlords and owner/occupiers by focusing on the following areas:

Public awareness of Net Zero, particularly related to homes

From our engagement work, most residents do not realise that their home is likely to be the largest part of their overall carbon footprint. Many are keen to “do their bit” insofar as they feel able, but this lack of awareness means private landlords and owner/occupiers are not aware to begin to consider action. This is most galling amongst private landlords, who are less than 4 years from MEES regulatory requirements, yet a significant number still demonstrate no knowledge of even these comparatively low performance requirements.

Welsh Government is well placed to put in place a sustained, wide-reaching public information campaign about the drive to Net Zero Carbon across all walks of life. This should include the impact of homes, and the journey that each Welsh home needs to go on in order to help tackle the climate emergency. Our work suggests this general awareness barrier is the first hurdle to progressing retrofit in private homes.

Clear, measurable, long term targets with defined consequences

The requirement for an independently verifiable “success metric” measured in $\text{KgCO}_2^{\text{eq}}$ per year has been made above, set against a relative target appropriate to each home. This should be an integral part of any awareness campaign. In parallel, Welsh Government should initially research, then pilot, and then publicise the penalties for homes which do not achieve the necessary relative carbon targets by the defined long-stop date. Much work has been done historically on taxation levers including land value transaction tax, council tax and others, and this should be reviewed with Welsh data as a starting point.

Our work with Rightmove, the Royal Institution of Chartered Surveyors and Monmouthshire Building Society in our VALUER project (more later) gave us further opportunity for insights into the market behaviours for private homes. This suggested to us that market behaviours will be further and more rapidly influenced by clear signals of future regulatory/tax penalties on housing, even if those are consequences are many years or decades in the future (even as far as 2050). It is therefore theoretically possible that Welsh Government may drive the change in market behaviours in the next few years by simply declaring a long-term financial consequence to inaction in future decades: By the date of the deadline, it is conceivable very few homes will actually be impacted by this.

The key challenges of delivering a programme of retrofit within these sectors, including financial, practical and behavioural, and action required from the Welsh Government (and its partners) to overcome them;

Consumer habits have changed drastically over the past two years, as was evidenced during the VALUER project which ran from March 2020 to March 2022. Our partners Rightmove tracked the popularity of

green terms via their online portal's key word search feature. They were able to evidence that consumers are actively seeking terms such as 'Solar Panels' and 'Heat Pump' with staggering increases in popularity. Solar Panels went from ranking 499th in November 2020 to 160th in November 2021 (and continues to increase). Equally, Heat Pump was ranked >1000th in November rising to 209th 12 months later. One of the most popular key word search criteria was Electric Car Socket, indicating that the electrification of our vehicles is having the biggest impact on our housing choices.

Another of Rightmove's data findings was that advertised properties which included green terms (in this instance homes listed with double/triple glazing versus those without) sold on average within 36 days in May 2021 compared to 45 days for homes not containing these terms within the listing.

Evidence strongly suggests that prospective purchasers are more willing to pay a premium for a home that already has energy efficient measures installed as they are able to immediately benefit from them without having to endure the procurement, financing and installation process itself. This was highlighted when Rightmove studies 200,000 pairs of property transactions where each home was initially sold with a lower EPC then re-emerged onto the market with a higher EPC. They were able to identify a clear correlation between the improvement in energy efficiency and an increase in resale value in excess of market trends. The study removed overt changes to the 200,000 homes, such as a change in floor area, to help reduce other factors that may have influenced the value of the homes. A table of findings demonstrated that on average increasing a home's efficiency by:

- 1 EPC band = 6.7% increase above market trends
- 2 EPC bands = 12.1% increase above market trends
- 3 EPC bands = 19.5% increase above market trends
- 4 EPC bands = 22% increase above market trends

During the VALUER project, RICS hosted a roundtable event at Parliament Square, where industry professionals summarised current barriers and how we as a sector could address them;

1. With the enforcement of National Trading Standards Material Information part A in May 2022, progress is being made regarding the quality of property listings and the valuable information contained within them. However, an increase in upfront information at the point of a property sale should be explored as a method to inform potential buyers of the current energy performance as well as expected future improvements required. This could take the form of a building passport and would likely help assist consumers in making more informed decisions when buying a home.
2. To ensure green measures being installed within a home are appropriate, a retrofit assessment and detailed plan for net-zero should be sought by the homeowner. This would ensure inappropriate measures weren't inadvertently funded, potentially detrimentally affecting the value and efficiency of the property as well as requiring further funds to correct. This would also lead to peace of mind for the homeowner, protecting them from rogue installations and instilling confidence that they are undertaking appropriate works to their property.
3. Investigations into the benefits of creating a minimum standard and level of training to competently advise on retrofit measures would be immensely beneficial. This will support a drive towards quality and accountability, with professional bodies such as the RICS ready to assist. Organisations such as TrustMark and their Data Warehouse can further support the administration and promotion of those qualified to undertake retrofitting works.
4. The VALUER project largely focused on owner-occupiers with a mortgage, however as previously noted within this document, an estimated 56% of the private homeowner sector own their home outright. This proportion of property owners will need to be driven by other means, be that taxation for the inefficiency of their home or the adverse impact to the resale value should it be marketed without the appropriate low carbon measures.

5. In order to make decarbonisation universally accessible, there will need to be a variety of products and repayment mechanisms to support homeowners (both owner occupier and landlord) in retrofitting their homes. This in turn needs to be underpinned with a strong supply chain and competent trusted installers.
6. Those engaging with consumers at the early stages of a sale/purchase such as mortgage advisors and estate agents should review how they communicate the need to invest in residential energy efficiency improvements. Purchasers should be made aware of any immediate and/or future financial risks such as limited mortgage options (a lender refusing to approve a mortgage on an EPC E home without a commitment by the buyer to invest in energy improvement works) or future market value and saleability.

How the right balance can be struck between influencing/incentivising homeowners and private sector landlords to retrofit their properties and regulating to increase standards to drive progress;

Sero are already working with a growing number of mortgage providers, including Hodge Bank, Hinkley & Rugby, Principality and Monmouthshire Building Societies, to pilot how independent, expert digitally-led support can be provided to private landlords and mortgaged owner/occupiers through their mortgage provider. This is intended to be provided alongside access to novel financial products that will facilitate the able-to-pay homeowners to access suitable secured or unsecured lending to undertake the appropriate retrofit improvements to their home in the right order, over a series of coordinated interventions spaced over a number of years. These planned measures comprise a “Pathway to Zero” for the home, and are digitally stored securely for the homeowner to access, amend and record progress over time.

Our work with these pilots, together with wider activities with social landlords in Wales and England, suggests to us any moves to incentivise homes to decarbonise should be carefully focused on the most vulnerable in society. Wider incentives will be unaffordable to the public purse if offered fairly to all, and if offered on an ‘early adopter’ basis they have historically tended to unduly favour the middle/upper income bands (such as was shown with the feed-in tariff incentive). Welsh Government’s incentives should therefore look to homes that will be unable to access finance privately, which is likely to comprise either those on very low household incomes and/or those with homes in very low value areas where retrofit measures will form a significant proportion of the overall homes' value even post-improvement. Identifying these homes, and designed incentive schemes to support them, should be Welsh Governments’ priority.

For homes not falling within the above, the reality is these homeowners must be deemed ‘able to pay’ as public financial incentivisation en-masse would require dramatic changes to public finance levels to secure sufficient funds. However, the net value of resident property in the UK is estimated at more than £6 trillion, and there is considerable money in the capital markets actively seeking ‘green’ investment opportunities – indeed there is more money than opportunities at this time. Together, these can be combined to resolve the financial barrier, with Welsh Governments role here to create the predictable, long term regulatory environment that allows the market to connect the large scale private investment to the private homeowners, thus influencing the wider market. The key levers to create this long term environment are:

- Public awareness of Net Zero, particularly related to homes and their need for improvements
- Clear long term carbon targets, ideally relative, measured in-use in KgCO₂ per year
- Defined consequences, likely comprising taxation, for non-compliant homes at the deadline

How effective the Welsh Government is influencing decisions on reserved matters to support decarbonisation of these sectors.

In our view, the Welsh Government should be actively lobbying Central Government for additional legislative powers to accompany the devolvement of the Building Regulations, the power to set standards should be widened to include the provision of other decarbonisation interventions. Welsh Government has for many decades been at the forefront of wider sustainability issues such as the incorporation of BREEAM and Code for Sustainable Homes energy requirements as part of National Planning Policy, and we believe it

should redouble its efforts to engage and push for targets and powers to continue this trend. Without these additional powers the drive to Net Zero will be dictated by the snail like pace of Westminster and the lobbying of those with access to central government to slow the pace.

Without further devolvement of powers, the Welsh Government should explore options for introducing additional requirements as part of National Planning Policy that exceeds the requirements of the proposed Future Homes Standards, to something that is more akin to what Net Zero really is, and not lesser standards dictated by National House Building organisations.

Agenda Item 5.1

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**Pwyllgor Newid Hinsawdd,
yr Amgylchedd a Seilwaith**

**Climate Change, Environment,
and Infrastructure Committee**

Julie James MS

Minister for Climate Change

6 October 2022

Dear Minister,

As you know, the Committee is currently undertaking an inquiry into decarbonising privately-owned homes in Wales. Although the inquiry is still at an early stage, one of the emerging issues in evidence is the need (or otherwise) for a national strategy for decarbonising housing.

We are aware from your recent response to the Equality and Social Justice Committee's report, Fuel poverty and the Warm Homes Programme, that you are "developing a comprehensive strategy and delivery plan [for decarbonisation] that incorporates work across housing tenures."

During yesterday's meeting, we took evidence from a range of witnesses to inform our inquiry, including those working closely with the Welsh Government in this area of policy. We asked them about their involvement in the development of the strategy and delivery plan to date. They told us they were not aware of the Welsh Government's plans to develop either of these.

The Committee would welcome further information from you on the strategy and delivery plan. In particular, we would like you to address the following questions.

1. What stage are you at in the development of the strategy and plan?
2. Which organisations have been involved in the development of the strategy and plan to date?
3. Will you be consulting on the strategy and delivery plan before they are finalised?
4. What timetable you are working towards for the publication of the final strategy and plan?

We intend to use part of our next Ministerial scrutiny session, scheduled for 24 November 2022, to question you on the issues emerging from our inquiry.

I look forward to receiving a response from you as soon as possible and by **4 November 2022** at the latest.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Llyr', is centered on a light yellow rectangular background.

Llyr Gruffydd MS,
Chair, Climate Change, Environment and Infrastructure Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.





Arbenigwyr mewn Busnes
Experts in Business

Climate Change, Environment & Infrastructure Committee
Welsh Parliament
Cardiff Bay
Cardiff
CF99 1SN

October 2022

Dear Chair,

Firstly, I would like to express our thanks for inviting the Federation of Small Businesses to give evidence to the Climate Change, Environment and Infrastructure Committee on the draft Environmental Protection (Single-use plastics) Bill. SMEs represent more than 99% of businesses in Wales and so will be a significant stakeholder in achieving Net Zero and plastic pollution aspirations.

We listened with interest to the evidence session with the Minister for Climate Change in the Committee oral evidence session on Thursday 29th September. We feel however that the Minister's suggestion that businesses who are unaware of the proposals "must have been living under a rock" reflects a particularly unhelpful and concerning sentiment.

The list of proposed prohibited items has itself been a continuing evolution. In 2020, the Welsh Government undertook a full consultation to explore the banning of nine single-use plastic items through secondary legislation. However, officials then indicated an intention in 2022 to expand the remit of the proposals to include wet wipes containing plastic and plastic carrier bags. The opportunity to gather and provide evidence at this point was extremely limited and this was a concern we expressed to the Minister in a letter sent to her. More recently, the Welsh Government has again broadened the scope of the legislation. As such, presuming that small businesses will be aware of the complex changes is a mistaken starting point and it is vital that Welsh Government play their part in proactively communicating what is expected of businesses.

As you will be aware, small businesses across Wales have encountered unprecedented difficulties over recent years. From business closure through the pandemic to spiralling energy costs and supply chain disruption, SMEs have been forced to weather significant challenges with many business owners experiencing a significant personal toll too. Against this backdrop, comments of this nature are counterproductive and may serve to undermine the positive attitudes towards responsibility that Wales' small business community feels around sustainability.

Our research consistently demonstrates that the overwhelming majority of SMEs recognise the role that they will have to play in achieving climate targets. However, in an FSB Wales 2021 survey only 24% felt they 'know enough' about the Welsh Government's policy on the environment, which indicates a substantial knowledge gap - a gap which the Government should be actively seeking to fill. This also demonstrates the need for a much clearer articulation of such policies for business - including this Bill.

Within the context of this legislation, there is a clear need to communicate the complexity of provisions effectively - through a targeted information campaign - and to support small businesses to understand and explore alternatives to the prohibited materials. By the Welsh Government's own admission in the Explanatory Memorandum and Regulatory Impact Assessment, the veracity of



Arbenigwyr mewn Busnes
Experts in Business

evidence for some items is stronger than others – demonstrating an uneven landscape of understanding, even by experts.

As indicated by the WLGA in their written evidence to the Committee, the implementation of minimum pricing legislation was preceded by around 2 years of Welsh Government and local authority planning and collaboration on a “communications strategy, mailings to businesses and training for enforcement officers. Once the legislation was implemented, local authorities (trading standards teams) conducted targeted education and inspection work. This allowed for face-to-face discussion with businesses, who could obtain further advice and help to secure compliance with the new requirements.” It should be recognised that the proposed legislation on single-use plastics is more extensive, yet the assurances around support and public awareness remains unclear.

We look forward to hearing the Committee’s view on the conclusion of the evidence gathering into these measures and we hope those conclusions will inform the way in which Welsh Government proceeds and seeks to engage the business community.

Yours sincerely,

Brett John
Deputy Head of Policy (Wales)

Llyr Gruffydd MS
Chair, Climate Change, Environment and Infrastructure
Committee

6 October 2022

The Environmental Protection (Single-use Plastic Products) (Wales) Bill

Dear Llyr,

Thank you for your letter of 23 September 2022 regarding the proposed timetable for the Environmental Protection (Single-use Plastic Products) (Wales) Bill. Business Committee considered your response and the Welsh Government's proposed timetable at our meeting on 27 September.


We greatly appreciate the scrutiny that your Committee was able to undertake over the summer following the publication of the draft Bill by the Government. In light of that work, and the reassurance you were therefore able to give around the scrutiny that you have been able to give to the Bill, Business Committee agreed to the Government's proposed timetable for scrutiny including not to refer the Bill to a responsible Committee for consideration of the general principles. The full reasons for our decision are stated in our **report** laid in the Table Office.

In reaching this decision, we noted the points made in your letter that the approach taken in respect of this Bill should not be considered equivalent to, or an adequate replacement for, formal Stage 1 Committee scrutiny.

Your letter also states that the Government has an inbuilt majority on the Business Committee. Whilst this is correct when the Committee's membership is considered, it is also the case that Members who are not otherwise represented by a party group are

able to attend Business Committee and to exercise a vote where required. Jane Dodds MS is a regular attendee at Business Committee and, when that is the case, there is currently an equality of government and non-government votes. In those circumstances, I am required to exercise my casting vote in accordance with Standing Orders.

Kind regards,

A handwritten signature in blue ink that reads "Elin Jones".

The Rt Hon. Elin Jones MS

Y Llywydd and Chair of the Business Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.



Agenda Item 5.4

**Y Pwyllgor Deddfwriaeth,
Cyfiawnder a'r Cyfansoddiad**

**Legislation, Justice and
Constitution Committee**

Elin Jones MS

Llywydd

Chair, Business Committee

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3 October 2022

Dear Llywydd

The Environmental Protection (Single-use Plastic Products) (Wales) Bill

Following our evidence session with Julie James MS, the Minister for Climate Change today, we remain unclear as to the reasons for the decision to adopt an expedited procedure for the Senedd's consideration of the Environmental Protection (Single-use Plastic Products) (Wales) Bill. The Minister herself could not tell us what reasons were put forward to the Business Committee by the Welsh Government.

We would be grateful if the Business Committee could advise of the reasons advanced by the Welsh Government for seeking an expedited process on 12 July, 20 and 27 September 2022, and the reasons for the Business Committee's decision to accept an expedited process.

On a related point, we would also be grateful if we could be sent a copy of the Business Committee report, in respect of the Bill's consideration, under Standing Order 26.10A.

We also note the letter from the Chair of the Climate Change, Environment and Infrastructure Committee, Llyr Gruffydd MS, dated 23 September 2022 and would welcome receiving a copy of the Business Committee's response.

We would be grateful to receive this information by Thursday 7 October so that our report to be laid before the Senedd in time for the Stage 1 debate on 11 October can fully reflect the issues.

I am copying this letter to the Chair of the Climate Change, Environment and Infrastructure Committee.

Yours sincerely,

Huw Irranca-Davies

Huw Irranca-Davies
Chair



Pwyllgor Newid Hinsawdd, yr Amgylchedd a Seilwaith

Climate Change, Environment, and Infrastructure Committee

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Julie James MS, Minister for Climate Change
Lee Waters MS, Deputy Minister for Climate Change
Lesley Griffiths MS, Minister for Rural Affairs, North
Wales and Trefnydd
Vaughan Gething MS, Minister for Economy

10 October 2022

Draft Budget scrutiny 2023-24

Dear Ministers,

The Climate Change, Environment and Infrastructure Committee has started its preparations for scrutiny of the Welsh Government's draft Budget for 2023-24.

We understand the draft budget will be published on 13 December 2022, so we anticipate holding a scrutiny session with you early in 2023. The Clerking team will be in touch with your office in due course to arrange a suitable date for the session.

To assist the Committee in its preparations, I should be grateful if you would provide information to address the matters set out in Annex 1 in advance of the scrutiny session. Of course, you should not feel limited by our request and are welcome to address any other matters you believe will assist the Committee in its work.

We would be happy to receive a single, co-ordinated response, or if you would prefer, separate responses addressing the issues within your individual areas of responsibility.

I have asked the Clerking team to liaise with your officials about an exact deadline.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Llyr', is centered on a light yellow rectangular background.

Llyr Gruffydd MS,
Chair, Climate Change, Environment and Infrastructure Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg / We welcome correspondence in Welsh or English.



Preventative Spend

Details of the proportion of portfolio budget allocated to preventative spending measures and how this has increased compared to last year's budget.

Details of which specific policies or programmes in the portfolio are intended to be preventative.

Evidence-based policy making

An explanation of how you have used evidence in prioritising your draft budget allocations and how you will monitor and evaluate programmes to ensure they provide value for money and inform future budget setting processes.

Details of how the development of the draft budget has been informed and influenced as a result of consultation with stakeholders.

Well-being of Future Generations Act

Examples of how the Act has informed decisions on specific budget allocations.

Details of how the impact assessment process has influenced the development of the draft budget, including examples of where a decision has been assessed against the Welsh Government's well-being objectives.

Equality, Welsh language, and children's rights assessment

Details of how you have considered the impact of the draft budget on groups with protected characteristics and the Welsh language, including details of any relevant impact assessments.

Details of how children's rights have been considered in the budget decisions for the portfolio.

Responding to the cost-of-living crisis

An explanation of whether and how the Welsh Government's response to the cost-of-living crisis has shaped your draft budget allocations.

Legislation

Budget allocations for the implementation of new legislation and planned legislation, including:

- The Environmental Protection (Single-use Plastic Products) (Wales) Bill;

- regulations to introduce a Deposit Return Scheme and Extended Producer Responsibility for plastic packaging;
- the proposed Coal Tip Safety Bill;
- the proposed Clean Air Bill;
- the proposed Welsh Infrastructure Consenting Bill.

Programme for Government

An explanation of how the budget allocations within your portfolio align to Programme for Government commitments and priorities.

Responding to the climate and nature emergencies

An explanation of how the Welsh Government's declaration of 'climate' and 'nature' emergencies has influenced this year's budget setting process.

An explanation of how you have worked with your Cabinet colleagues to ensure that the environment, biodiversity loss and climate change have been "at the heart of" the budget setting process.

Decarbonisation

An explanation of how the budget allocations support the delivery of the policies and proposals in Net Zero Wales, which are relevant to the remit of this Committee.

An explanation of work undertaken to estimate the carbon impact of spending decisions and how this has influenced the approach to allocations.

An update on work to align the fiscal and carbon budgets.

Budget structure

A breakdown of the 2023-24 draft budget, and any future indicative budgets, by Spending Programme Area (SPA), Action and Budget Expenditure Line (BEL), both revenue and capital, along with 2022-23 Budget allocations as a comparison.

A narrative description of the policy areas funded through each BEL.

A summary of any changes made in the structure and presentation of the budget compared to previous years, including details of how any new or reorganised SPAs, Actions of BELs relate to those used in 2022-23 and ensuring 2023-24 allocations can be compared to previous years.

Transport

How the draft budget supports the Welsh Government's transport priorities, particularly delivery of the new Wales Transport Strategy and the associated delivery plans and strategies, including how you have prioritised funding, the affordability of your priorities and any areas of concern.

How the draft budget provides for:

- Public transport recovery following the pandemic, including support for operators and the impact of, and recovery from, the Coronavirus pandemic, including support for transport providers.
- Delivery of the rail franchise.
- Delivery of the North East Wales, South West Wales and South East Wales Metros.
- Delivery of the Welsh Government's rail infrastructure priorities.
- The development of Transport for Wales – including a breakdown of TFW's **full** budget allocation for the year, itemising its corporate budget alongside allocations for delivery of specific programmes.
- The recommendations of the South East Wales Transport Commission.
- Investment in the trunk road and motorway network. In particular, how the outcome of the roads review has informed the allocations, and how any roads funding has been reallocated.
- Delivery of active travel policy – including a table detailing total and per capita allocations for active travel for 2023-24, compared with each of the preceding three years. Revenue and capital allocations should be clear and broken down by individual funding stream (active travel fund, local transport fund, safe routes in communities etc).
- Support for bus and community transport services, including a table detailing total and per capita allocations for 2023-24 compared with each of the preceding three years. Revenue and capital allocations should be clear and the table should be broken down by individual funding stream (BSSG, BES2, Concessionary Fares etc).
- Support for local transport priorities.

Energy and improving energy efficiency

How the draft budget provides for:

- Policies and programmes to support decarbonisation in the housing sector, including allocations for the Welsh Government's Warm Homes Programme and Optimised Retrofit Programme.
- Delivery of renewable energy and public sector energy efficiency programmes, including funding for the Welsh Energy Service.
- Implementation of recommendations and actions arising from the Welsh Government's deep dive on renewable energy.
- Development of proposals for Ynni Cymru.

Environment

How the draft budget provides for:

- Delivery of the Nature Recovery Action Plan, including management and monitoring of the National Sites Network.
- Nature Networks Programme, Local Places for Nature, the National Peatlands Action programme and Natur am Byth.
- Outcomes of the Welsh Government's deep dive into biodiversity and anticipated commitments made at COP15.
- Implementation of the 'Green Recovery' work, including the National Nature Service.
- Replacement for EU LIFE funding following the UK's departure from the EU.
- Development of the new National Park to cover the Clwydian Range and Dee Valley.
- Delivery of the Clean Air Plan.
- Implementation of the Woodlands for Wales Strategy, including the National Forest Strategy.
- Implementation of the National Strategy for Flood and Coastal Erosion Risk Management, including the take up of the Coastal Risk Management Programme.
- Development of permanent environmental governance arrangements, and the work of the Interim Environmental Protection Assessor.
- Delivery of the Marine Protected Area Network Management Plan.



Natural Resources Wales (NRW)

Details of budget allocations for NRW, including:

- how the development of the draft budget has been informed and influenced by any emerging findings of the baseline review, and
- funding for the Offshore Renewable Energy Programme.

Digital Infrastructure

Details of the total Welsh Government contribution to the Superfast Cymru successor scheme, including relevant contract targets for BT/Openreach and performance towards these targets.

Details of the budgets allocated to other Welsh Government connectivity schemes (including Access Broadband Cymru and the Local Broadband Fund) and connectivity targets these schemes have.

Details of any budget allocated to improving mobile connectivity.

Implementation of the Digital Strategy for Wales and delivery plan, and allocation for the Centre for Digital Public Services.

Overall broadband and mobile connectivity targets, and whether the combined funding from the Welsh and UK Governments is sufficient to meet these targets.

National Infrastructure Commission for Wales (NICW)

Details of budget allocations for the NICW.

Agenda Item 5.6

Lesley Griffiths AS/MS

Y Gweinidog Materion Gwledig a Gogledd Cymru, a'r Trefnydd
Minister for Rural Affairs and North Wales, and Trefnydd



Llywodraeth Cymru
Welsh Government

Llyr Gruffydd MS

Chair,

Climate Change, Environment, and Infrastructure Committee
Senedd Cymru

Llyr.Gruffydd@senedd.wales

10 October 2022

Dear Llyr,

I am writing to inform the Committee of the intention to consent to the UK Government making and laying The Biocidal Products (Health and Safety) (Amendment) Regulations 2022 by 18 October 2022.

My predecessor received a letter from Chloe Smith MP, previous Minister of State for Disabled People, Health and Wellbeing asking for consent to these Regulations. The Regulations intersect with devolved policy and will apply to Wales. The Regulations will extend to England, Scotland and Wales and a similar request for consent has been sent to Scottish Ministers.

The Regulations will be made in exercise of the powers conferred by section 8(1) and paragraph 21 of Schedule 7 of the European (Withdrawal) Act 2018.

Biocidal products must be authorised by the Health and Safety Executive who act as the competent authority on behalf of Welsh Ministers. The amendments will impose new legal deadlines for the authorisation of biocidal products whilst processing a backlog of applications. By temporarily extending the deadline for five years, pre-existing authorised biocidal products can remain on the market until authorised under the Great Britain Biocidal Product Regulations. The Statutory Instrument is subject to the affirmative procedure and is due to be laid before Parliament on 18 October 2022 with a commencement date of 31 December 2022.

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1SN

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
0300 0604400

Gohebiaeth.Lesley.Griffiths@llyw.cymru
Correspondence.Lesley.Griffiths@gov.wales

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Although the Welsh Government's general principle is that the law relating to devolved matters should be made and amended in Wales, on this occasion, it is considered appropriate for the substance of the amendments to apply to Wales as the Regulations are technical in nature and contain no change of policy. There is, therefore, no policy divergence between the Welsh and UK Government in this matter. This ensures a coherent and consistent statute book with the regulations being accessible in a single instrument. I consider that legislating separately for Wales would be neither the most appropriate way to give effect to the necessary changes nor a prudent use of Welsh Government resources given other important priorities.

Welsh Government are core members of the Biocides Delivery Board (BDB) which is part of the governance structures for the Chemicals and Pesticides Common Framework. The proposed legislative amendments have been discussed and approved by the BDB.

These Regulations do not have implications for the Programme for Government. Authorising biocidal products supports the majority of well-being goals of "a healthier Wales" and a 'resilient Wales' together with associated impacts on the goal of "a globally responsible Wales" where products harmful to human or nonhuman life are properly regulated.

I have written similarly to Huw Irranca-Davies MS, the Chair of the Legislation, Justice and Constitution Committee.

Yours sincerely

A handwritten signature in black ink that reads "Lesley Griffiths". The signature is written in a cursive style with a large, sweeping flourish at the end.

Lesley Griffiths AS/MS
Y Gweinidog Materion Gwledig a Gogledd Cymru, a'r Trefnydd
Minister for Rural Affairs and North Wales, and Trefnydd

Agenda Item 5.7

Julie James AS/MS
Y Gweinidog Newid Hinsawdd
Minister for Climate Change



Llywodraeth Cymru
Welsh Government

Llyr Gruffydd MS
Chair
Climate Change, Environment & Rural Infrastructure Committee
Welsh Parliament
Cardiff
CF99 1SN

04 October 2022

Dear Llyr,

Thank you for your letter of 9 August seeking an update on action being taken by Welsh Government to address the current outbreak of Highly Pathogenic Avian Influenza (HPAI) in Wales.

Wales' population of seabirds are of national and international importance. I am aware of the unprecedented increase of HPAI outbreaks observed in wild bird populations this year, and the associated mass mortalities observed in many seabird species of conservational importance in the UK, Europe and North America. As noted in your letter, the confirmed outbreak of HPAI in northern gannets on Grassholm is of particular concern to us and demonstrates that the risk of this disease impacting Wales' seabird colonies remains.

In response to the positive HPAI tests on Grassholm, Natural Resources Wales (NRW) have suspended all seabird ringing and seabird nest recording in Wales, effective from 5 August until further notice. The suspension extends to ringing and nest recording of non-seabirds in seabird colonies. Minimising disturbance to the birds through preventing unnecessary interaction between people and wild birds will improve their resilience and ability to survive the outbreak.

In June, recognising the risks to Welsh seabird colonies, my officials established a stakeholder working group, including NRW, Public Health Wales, the Royal Society for the Protection of Birds, British Trust for Ornithology, the Royal Society for the Prevention of Cruelty to Animals, Wildlife Trusts Wales and reserve wardens, to share knowledge and expertise, monitor the situation and develop evidence-based actions in response to the threat that HPAI presents to our wild bird populations. Actions taken have included working to raise public awareness of this HPAI through promoting and issuing advice to the public in relation to any findings of dead seabirds (<https://gov.wales/report-and-dispose-dead-birds>).

Officials are also working closely with other UK Governments, including the Animal and Plant Health Agency (APHA) whose wild bird surveillance system provides strategic testing of suspected HPAI cases. The migratory nature and potential range of our seabirds makes collaboration and effective monitoring across administrations critical to our ability to track and understand the spread of the virus.

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
0300 0604400

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Gohebiaeth.Julie.James@llyw.cymru
Correspondence.Julie.James@gov.Wales

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

On the 31 August, Welsh Government, in parallel with Defra, published a 'Mitigation Strategy for Avian Influenza in Wild Birds in England and Wales'

(<https://gov.wales/mitigation-strategy-avian-influenza-wild-birds-england-and-wales>).

This Strategy sets out guidance on existing policies and approaches across England and Wales, and will support stakeholder understanding of these, by providing clear scenarios related to wild birds. This will enable conservation charities and land managers to take an effective and consistent response to avian influenza in wild birds.

The likelihood that avian flu could cause similar mass mortalities in seabirds in Wales, as seen in Scotland and England, unfortunately, remains heightened. There is also the possibility that avian flu could cause mass mortalities in wildfowl and wader populations come autumn and winter.

In the longer term, I am committed to delivering a Welsh Seabird Conservation Strategy which aims to identify high-level actions to support the conservation of seabirds in Wales. Officials are working closely with stakeholders to develop actions underpinned by evidence assessing the vulnerability of seabird species to pressures and threats.

Yours sincerely



Julie James AS/MS

Y Gweinidog Newid Hinsawdd
Minister for Climate Change

Agenda Item 5.8

**Pwyllgor Newid Hinsawdd,
yr Amgylchedd a Seilwaith**

—

**Climate Change, Environment,
and Infrastructure Committee**

Senedd Cymru

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0300 200 6565

Lord Kinnoull

Chair of the European Affairs Committee

13 October 2022

Dear Lord Kinoull,

Thank you for your letter, dated 23 August 2022, drawing our attention to your Committee's inquiry into the UK's future relationship with the EU. While we are not in a position to contribute to the inquiry we are keen to follow its progress.

We would welcome the opportunity to meet with your Committee during your visit to Cardiff early in the new year. I have asked Committee officials to liaise with your Clerk to identify a mutually convenient date and time.

We look forward to meeting with you and to developing a constructive working relationship with your Committee during the remainder of this Parliamentary term.

Yours sincerely,



Llyr Gruffydd MS,
Chair, Climate Change, Environment and Infrastructure Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.



Agenda Item 5.9

To: The Climate Change, Environment and Infrastructure Committee, The Senedd

Gilestone Farm

The Usk Valley Conservation Group has pleasure in sending you a copy of a report published today, that it has commissioned from an independent ecologist. You are reminded also that the special video which supports this report is available at

<https://eur02.safelinks.protection.outlook.com/?url=https%3A%2F%2Fwww.youtube.com%2Fwatch%3Fv%3DKZjJgqd4xUc&data=05%7C01%7CSeneddClimate%40senedd.wales%7Ce0db e3a9b5ed442c695308daa3d26066%7C38dc5129340c45148a044e8ef2771564%7C0%7C0%7C638002421216524473%7CUnknown%7CTWFpbGZsb3d8eyJWljoimC4wLjAwMDAiLCJQIjoiV2luMzliLCJBTil6Ik1haWwiLCJXVCI6Mn0%3D%7C3000%7C%7C%7C&sdata=F2wz8jdOPLvJX9xwLRcHQi%2Far4ZKwaoZpxUHxh%2F7gDw%3D&reserved=0>

The sheer number and variety of wildlife and plants recorded on and around Gilestone farm is an important reminder of how special this part of the Usk Valley really is.

The fact that Welsh Government itself has designated 44 of these species as being of "Principal Importance" for the purpose of maintaining and enhancing biodiversity is further evidence of the value and sensitivity of the farm and its environs. In particular, the Environment (Wales) Act requires Ministers to take 'all reasonable steps to maintain and enhance these species and to encourage others to take such steps'.

However, we should not focus only on those species that are most protected or most at risk and the farm is important for many animals and birds loved by the public, such as otter, hedgehog, kingfisher, curlew, red kite and cuckoo, to name but a few.

The Upper Usk Valley at Talybont is a destination for nature lovers seeking quiet enjoyment of the countryside. This low impact tourism with low intensity farming practice has created a wildlife haven in which many rare and sensitive plants and creatures thrive. It is up to us all, Welsh Government Ministers, the local community, and visitors, to ensure our local environment continues to be protected and that Talybont remains an attractive destination for quiet enjoyment of the countryside.

We are at loss to understand why the Welsh Government chose this particular farm when the mounting evidence including now irrefutable evidence of the richness of its wildlife, demonstrates its unsuitability as a 'permanent home' for the Green Man festival.

Yours sincerely,
Peter Seaman and Phil Darbyshire
Co-chairs
Usk Valley Conservation Group
Registered charity number 1199730

Gilestone Farm - A Review of Biodiversity



Report prepared by the Usk Valley Conservation Group
Charity number: 1199730
October 2022

More information about the work of the Usk Valley Conservation Group can be found at www.uvcg.org, including a link to a short video highlighting some of the local wildlife.

Cover images

A	B
C	D

- A Otter – hard to spot, but one of the most significant species on the farm
- B Osprey – a spectacular bird of prey frequently recorded in the area in recent years
- C Curlew – a rapidly declining species much loved for its haunting call
- D Lesser Horseshoe Bat – the area is one of the last strongholds in Europe for this sensitive species

Introduction

Nature is in crisis. Species and habitat are being lost daily and with it our own survival is at risk. In 2021 the Welsh Government declared a Climate and Nature Emergency and committed to increase protection of 30% of Welsh land for nature by 2030. In 2022 the Welsh Government purchased Gilestone Farm to ensure the Green Man art and music festival has a permanent home in Wales.

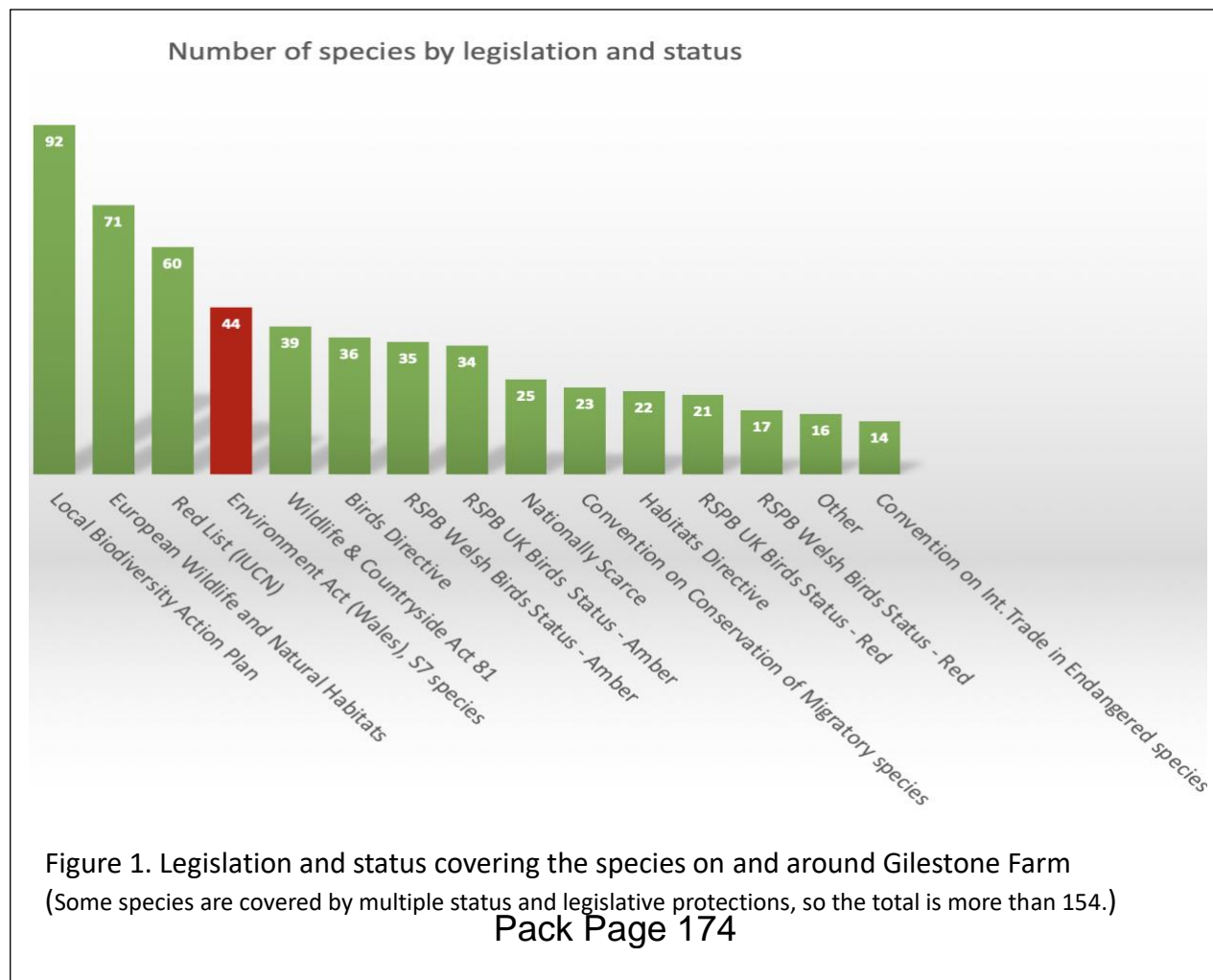
The Usk Valley Conservation Group commissioned a Consultant Ecologist to review existing biodiversity data to alert the Government to the fact that Gilestone Farm is sited in a biodiverse valley supporting many legally protected, rare, scarce, or locally important species.

The review draws on authoritative national and local datasets including those held by the Biodiversity Information Service (BIS), the National Biodiversity Network (NBN) and Natural Resources Wales (NRW). The key findings are summarised below, and the consultant's report is presented as an Appendix.

What did the review find?

The Upper Usk 'Site of Special Scientific Interest' and 'Special Area of Conservation' form the eastern boundary of the farm. The valley setting hosts 5 roosts of the internationally important lesser horseshoe bat and is included in one of the 'Important Curlew Areas' listed in the Wales Action Plan for the Recovery of the Curlew.

Records of some 1,341 different species were located. Of these, 154 are identified as legally protected, rare, scarce or locally important and are found on or in the vicinity of the farm. All 154 are covered by some form of conservation legislation or assigned a conservation status as summarised in Figure 1.



Forty-four of the most important and legally protected species are listed in Section 7 of the Environment (Wales) Act (2016). This means they have been defined by Welsh Government, as being of "Principal Importance" for the purpose of maintaining and enhancing biodiversity in Wales. Table 1 illustrates the breadth and variety of these species.

Group	Number of protected species	Species
Bats	5	Brown Long-eared, Common Pipistrelle, Lesser Horseshoe, Noctule, Soprano Pipistrelle,
Other mammals	5	Brown Hare, European Otter, European Water Vole, Polecat, West European Hedgehog
Birds	21	Common Reed Bunting, Cuckoo, Curlew, Dunnock, Eurasian Bullfinch, Eurasian Skylark, Grasshopper Warbler, Grey Partridge, House Sparrow, Kestrel, Lapwing, Lesser Redpoll, Linnet, Long-tailed Tit, Marsh Tit, Nightjar, Song Thrush, Western Yellow Wagtail, Willow Tit, Wood Warbler, Yellowhammer
Aquatic	6	Atlantic Salmon, Brown/Sea Trout, European Eel, River Lamprey, Freshwater Pearl Mussel, White-clawed Crayfish
Reptiles and amphibians	3	Common Toad, Grass Snake, Slow-worm
Insects	3	Rosy Rustic Moth, Southern Silver Stiletto-fly, Southern Yellow Splinter
Plants	1	Large-flowered Hemp-nettle
Total	44	

Table 1. Welsh Government's section 7 species of 'Principal Importance' supported by the farm.

In addition to the 'Section 7' listed birds, Osprey are frequently recorded using the farm and feeding in the river. The farm and its environs support at least three nationally rare species and 25 nationally scarce species.

What do we think?

The sheer number and variety of wildlife and plants recorded on and around the farm is an important reminder of how special this part of the Usk Valley really is.

The fact that Welsh Government itself has designated 44 of these species as being of "*Principal Importance*" for the purpose of maintaining and enhancing biodiversity is further evidence of the value and sensitivity of the farm and its environs. In particular, the Environment (Wales) Act requires Ministers to take 'all reasonable steps to maintain and enhance these species and to encourage others to take such steps'.

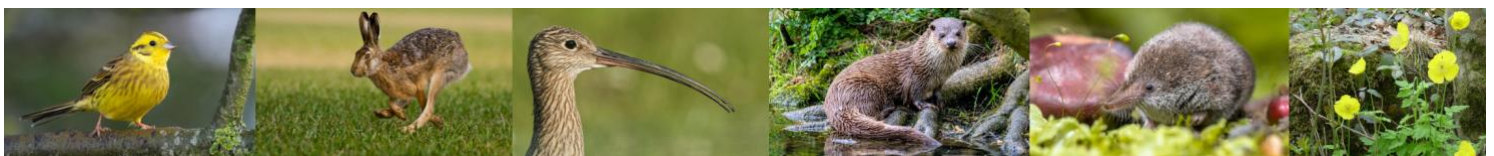
However, we should not focus only on those species that are most protected or most at risk and the farm is important for many animals and birds loved by the public, such as otter, hedgehog, kingfisher, curlew, red kite and cuckoo, to name but a few.

The Upper Usk Valley at Talybont is a destination for nature lovers seeking quiet enjoyment of the countryside. This low impact tourism with low intensity farming practice has created a wildlife haven in

which many rare and sensitive plants and creatures thrive. It is up to us all, Welsh Government Ministers, the local community, and visitors, to ensure our local environment continues to be protected and that Talybont remains an attractive destination for quiet enjoyment of the countryside.

Further work is clearly needed, and we suggest that a detailed (phase 1) survey is undertaken to update existing habitat data and an environmental impact assessment is needed to ensure the overall impact of any changes are properly considered.

We hope this report will encourage the new owners of the farm to value the natural capital in the valley and ensure that protections are put in place to prevent species loss and to realise the potential of this site to make a valuable contribution to increasing biodiversity in Wales.



Appendix

Biodiversity Data for Gilestone Farm An assessment of available biodiversity data

Mike Lush, 21 September 2022
Consultant Ecologist

Introduction

The Usk Valley Conservation Group commissioned the author to undertake an assessment of the existing biodiversity data associated with Gilestone Farm, Talybont-on-Usk. This report documents the approach used and results this assessment, with technical details as appendices. It is intended as an initial assessment, as it is clear from the volume of data obtained and the clear biodiversity interest that a more detailed account is needed.

Methodology

A range of biodiversity data from the following sources were collated, reviewed and analysed in this assessment:

- Biodiversity Information Service for Powys & Brecon Beacons National Park (BIS)
- National Biodiversity Network (NBN) Atlas
- Natural Resources Wales
- Vincent Wildlife Trust
- Data extracted from Sinnadurai, Jones and Ormerod (2016)

BIS undertook a data search based upon the boundary of Gilestone Farm, plus a 1,000 m buffer. The search identified designated sites, habitats and species occurring within the search area. Only priority species, species of conservation concern, including invasive non-native species, and species that are locally important were included in the results. Some records from outside the buffer were included in the results due to a separate taxon related buffer applied to these records by BIS. A total of 2,290 records of 333 species were included in the results. Twenty-five invasive non-native species were excluded from further analysis.

Species records were also obtained from the National Biodiversity Network (NBN) Atlas for the same search area. Unconfirmed, absence and records licenced for non-commercial use only were excluded, resulting in 6,766 records of 1,341 species. The names of the original source organisations are provided in

Annex 1: Providers of the NBN Atlas data used.

Further information was sought from other sources. The Vincent Wildlife Trust provided a report on a bat survey they had undertaken on Gilestone Farm in 2012 (Sedgeley, 2014), the records from which were also included in the BIS data search. Information on beetle assemblages was extracted from Sinnadurai, Jones and Ormerod (2016). Electrofishing data was requested from the Wye & Usk Foundation but had not been received at the time of writing. Many species are very mobile, whilst others are more sedentary. The distance between Gilestone Farm and the closest record of each species was therefore determined. The mobility and proximity of each species was then considered to determine the likelihood that it occurred on Gilestone Farm or adjacent habitats.

Pantheon (Webb *et al.*, 2022) was used to analyse the many invertebrate species included in the results. This is a standard online tool developed by Natural England and the Centre for Ecology & Hydrology to analyse invertebrate sample data. The primary aim was to identify important invertebrate assemblages that may be relevant to Gilestone Farm or adjacent habitats.

Protected sites data were obtained from Natural Resources Wales to assist interpretation.

Results

Sites

Two Sites of Special Scientific Interest (SSSI) were located within the search area:

- The river Usk (Upper Usk)/Afon Wysg (Afon Wysg Uchaf) SSSI forms the eastern boundary of Gilestone Farm. It was designated primarily for its aquatic vegetation, Otters, fish and rare craneflies. The SSSI has numerous other features that add to its conservation importance.
- Part of the Afon Wysg (Isafonydd) / River Usk (Tributaries) SSSI occurs immediately to the south of Gilestone Farm. It was designated primarily for otters and fish.

Both SSSIs form part of the River Usk/ Afon Wysg Special Area of Conservation (SAC). SACs are protected under the Conservation of Habitats and Species Regulations 2017 in Wales and fall within the highest tier of sites designated for nature conservation. Primary reasons for designation are the fish Sea Lamprey, Brook Lamprey, River Lamprey, Twaite Shad, Atlantic Salmon and Bullhead, and Otters. Further qualifying features are Water-crowfoot dominated aquatic vegetation and Allis Shad.

Gilestone Farm is also largely contained within a B-lines area. These are non-statutory, landscape scale designations developed by Buglife used to identify opportunities for the creation and restoration of a national network of wildflower-rich wildlife habitats, with a view to reversing pollinator decline.

Habitats

Few habitats of interest were identified by the BIS data search. Gilestone Farm appears to be largely arable and improved grassland from the aerial photography, with limited semi-natural habitat area.

The BIS data search and aerial photography identified a small area of Ancient Semi-Natural Woodland between the farmhouse and the canal. Ancient Woodland is considered irreplaceable, due to the centuries that it would take to re-establish the full woodland ecosystem if it were damaged or destroyed.

Several invertebrate species recorded in the area (see below) are regarded as saproxylics, or associated with decaying wood, but the extent to which these will occur within the Ancient Woodland is unclear. The presence of this assemblage is more likely to relate to the presence of decaying wood in the landscape, rather than at Gilestone Farm specifically. Many will relate to the presence of veteran trees, which are here regarded as a distinct habitat. The only veteran or ancient trees in the Ancient Tree Inventory (ATI) within the vicinity of Gilestone Farm are several along the canal and one beside the river, but others may be unrecorded due to lack of access rather than absence of veteran trees within the site. There are many trees within the field boundaries within the site, some of which may be veteran.

Other than woodland habitats, there is a small area of semi-improved grassland that was reported by the BIS data search and is visible on aerial photography. The BIS data search also reported an area of marshy grassland, though this appears to have been lost to succession to scrub and conversion to arable. Part may also have been converted to a pond, though the map data are not accurate enough to determine whether the marshy grassland was at this location. A survey would be required to determine whether any marshy grassland remains and the conservation importance of this area.

Species

In total, 311 legally protected, rare, scarce or locally important species had been recorded within the search area. A shortlist of the 154 species that were considered most likely to be relevant to Gilestone Farm are presented in Table 1. These include those species that had been recorded within or on the boundaries of Gilestone Farm, and those species that are mobile and are likely to utilise habitats on and adjacent to Gilestone Farm.

Note that Black Poplar has been recorded from Gilestone Farm but has been removed from the list. It was regarded as Least Concern in the last Red List but remains a rare species.

Table 1. Selected species of conservation concern recorded on or in the vicinity of Gilestone Farm, excluding invasive non- native species. Red = species recorded within Gilestone Farm; orange = Species recorded on the boundaries of and likely to be affected by activities on Gilestone Farm; white = species recorded in the local area that are likely to utilise Gilestone Farm and bordering habitats. Sources: BIS = Biodiversity Information Service for Powys & Brecon Beacons National Park; NBN = National Biodiversity Network Atlas; SJO = Sinnadurai, Jones and Ormerod (2016). Statuses: CITES = Convention on International Trade in Endangered Species of Wild Fauna and Flora; HDir = Habitats Directive ; Bern = Convention on the Conservation of European Wildlife and Natural Habitats (the Bern Convention); BDir = Birds Directive; CMS = Convention on the Conservation of Migratory Species of Wild Animals; OSPAR = Convention for the Protection of the Marine Environment of the North-East Atlantic (the 'OSPAR Convention'); WCA = Wildlife and Countryside Act 1981; S7 = Environment Act (Wales) Section 7 Species; NRWP = Natural Resources Wales Priority Species; LBAP = Local Biodiversity Action Plan Species; RL = Red listing based on 2001 IUCN guidelines; NR = Nationally Rare; NS = Nationally Scarce; BirdR = UK Bird Population Status – Red; BirdA = UK Bird Population Status – Amber; WBR = RSPB Welsh Red listed birds; WBA = RSPB Welsh Amber listed birds; LI = Locally Important Species (as identified by local specialists)

Latin name	English name	Year last recorded	Source	Status
<i>Bembidion lunatum</i>		2011	SJO	NS
<i>Bembidion monticola</i>		2011	SJO	NS
<i>Bembidion prasinum</i>		2011	SJO	NS
<i>Bracteon litorale</i>		2011	SJO	NS
<i>Riolus subviolaceus</i>		2014	BIS, NBN	NS
<i>Hilara albiventris</i>		1997	BIS, NBN	NS
<i>Lipsothrix nervosa</i>	Southern Yellow Splinter	1997	BIS, NBN	S7, LBAP
<i>Oxycera terminata</i>	Yellow-tipped Soldier	1997	NBN	RL, NR
<i>Clorismia rustica</i>	Southern Silver Stiletto-fly	2020	BIS, NBN	S7, LBAP, NS
<i>Spiriverpa lunulata</i>	Northern Silver-stiletto	2005	BIS, NBN	LBAP, NS
<i>Hydraecia micacea</i>	Rosy Rustic	2020	BIS	S7
<i>Calopteryx splendens</i>	Banded Demoiselle	2020	BIS, NBN	LI
<i>Calopteryx virgo</i>	Beautiful Demoiselle	2020	BIS, NBN	LI
<i>Potamophylax rotundipennis</i>		2017	NBN	RL, NS
<i>Austropotamobius pallipes</i>	White-clawed Crayfish	No date	BIS, NBN	HDir, Bern, WCA, S7, LBAP, RL
<i>Anguilla anguilla</i>	European Eel	2009	BIS, NBN	OSPAR, S7, RL
<i>Salmo salar</i>	Atlantic Salmon	2009	BIS, NBN	HDir, Bern, OSPAR, S7, LBAP, NS

<i>Salmo trutta</i>	Brown/Sea Trout	2009	BIS, NBN	S7, LI
<i>Salmo trutta subsp. fario</i>	Brown Trout	1998	BIS, NBN	LI
<i>Cottus gobio</i>	Bullhead	2017	BIS, NBN	HDir, LBAP
<i>Bufo bufo</i>	Common Toad	2020	BIS	Bern, WCA, S7, LBAP
<i>Rana temporaria</i>	Common Frog	2012	BIS	HDir, Bern, WCA, LBAP
<i>Accipiter gentilis</i>	Goshawk	2020	BIS, NBN	CITES, CMS, WCA, LBAP, RL
<i>Accipiter nisus</i>	Sparrowhawk	2020	BIS, NBN	CITES, CMS, LBAP, RL, BirdA
<i>Buteo buteo</i>	Buzzard	2022	BIS, NBN	CITES, CMS, LBAP
<i>Pandion haliaetus</i>	Western Osprey	2022	BIS, NBN	CITES, BDir, CMS, WCA, RL, BirdA, WBA
<i>Anas acuta</i>	Pintail	2000	BIS	CITES, BDir, WCA, RL, BirdA, WBA
<i>Anas crecca</i>	Teal	2019	BIS, NBN	CITES, BDir, CMS, RL, BirdA, WBA
<i>Anas platyrhynchos</i>	Mallard	2022	BIS, NBN	BDir, CMS, RL, BirdA, WBA
<i>Anser anser</i>	Greylag Goose	2019	NBN	BDir, CMS, WCA, RL, BirdA
<i>Aythya fuligula</i>	Tufted Duck	2018	BIS	BDir, LBAP, RL, WBA
<i>Bucephala clangula</i>	Goldeneye	2019	BIS	BDir, WCA, LBAP, RL, BirdA
<i>Cygnus olor</i>	Mute Swan	2022	BIS, NBN	BDir, CMS, LBAP, RL, BirdA
<i>Mergus merganser</i>	Goosander	2021	BIS, NBN	BDir, CMS, LBAP, RL
<i>Spatula clypeata</i>	Shoveler	2007	BIS	CITES, BDir, LBAP, RL, BirdA, WBA
<i>Apus apus</i>	Swift	2021	BIS, NBN	RL, BirdR, BirdA, WBA
<i>Caprimulgus europaeus</i>	Nightjar	2000	BIS	Bern, BDir, S7, LBAP, RL, WBA
<i>Charadrius dubius</i>	Little Ringed Plover	2019	BIS, NBN	Bern, CMS, WCA, LBAP
<i>Vanellus vanellus</i>	Lapwing	2014	BIS, NBN	BDir, CMS, S7, LBAP, RL, BirdR, WBR
<i>Actitis hypoleucos</i>	Common Sandpiper	2020	BIS, NBN	CMS, RL, BirdA, WBR
<i>Gallinago gallinago</i>	Snipe	2019	BIS	BDir, LBAP, RL, BirdA, WBA
<i>Lymnocyptes minimus</i>	Jack Snipe	2019	BIS	BDir, LBAP, RL, WBA
<i>Numenius arquata</i>	Curlew	2022	BIS, NBN	BDir, CMS, S7, LBAP, RL, BirdR, WBR
<i>Tringa totanus</i>	Redshank	2000	BIS	BDir, LBAP, RL, BirdA, WBA
<i>Ardea alba</i>	Great White Egret	2020	BIS	CITES, Bern, LI
<i>Ardea cinerea</i>	Grey Heron	2021	BIS, NBN	CMS, RL, WBA

<i>Columba oenas</i>	Stock Dove	2019	NBN	BDir, RL, BirdA
<i>Columba palumbus</i>	Woodpigeon	2019	NBN	BDir, RL, BirdA
<i>Streptopelia decaocto</i>	Collared Dove	2016	NBN	BDir, RL
<i>Alcedo atthis</i>	Kingfisher	2021	BIS, NBN	Bern, BDir, WCA, LBAP, RL, BirdA, WBA
<i>Cuculus canorus</i>	Cuckoo	2018	BIS, NBN	S7, RL, BirdR, WBR
<i>Milvus milvus</i>	Red Kite	2022	BIS	CITES, BDir, WCA, LBAP, RL, WBA
<i>Falco subbuteo</i>	Hobby	2019	BIS, NBN	CITES, Bern, CMS, WCA, LBAP
<i>Falco tinnunculus</i>	Kestrel	2013	BIS, NBN	CITES, Bern, CMS, S7, LBAP, RL, BirdA, WBR
<i>Perdix perdix</i>	Grey Partridge	1995	BIS	BDir, S7, LBAP, RL, WBR
<i>Fulica atra</i>	Eurasian Coot	2018	BIS	BDir, RL, WBA
<i>Gallinula chloropus</i>	Moorhen	2018	NBN	BDir, CMS, RL, BirdA
<i>Acrocephalus schoenobaenus</i>	Sedge Warbler	2019	BIS, NBN	BirdA, LI
<i>Acrocephalus scirpaceus</i>	Reed Warbler	2014	BIS, NBN	LBAP
<i>Aegithalos caudatus</i>	Long-tailed Tit	2020	BIS, NBN	WBA
<i>Alauda arvensis</i>	Eurasian Skylark	2010	BIS, NBN	BDir, S7, LBAP, RL, BirdR, WBA
<i>Certhia familiaris</i>	Treecreeper	2020	BIS, NBN	Bern, LBAP
<i>Cinclus cinclus</i>	Dipper	2019	BIS, NBN	Bern, LBAP, RL, BirdA, WBA
<i>Coloeus monedula</i>	Jackdaw	2019	NBN	BDir, RL
<i>Corvus corax</i>	Northern Raven	2020	BIS, NBN	LI
<i>Corvus corone</i>	Carrion Crow	2019	NBN	BDir, RL
<i>Corvus frugilegus</i>	Rook	2019	NBN	BDir, RL, BirdA
<i>Garrulus glandarius</i>	Jay	2019	NBN	BDir, RL
<i>Pica pica</i>	Magpie	2019	NBN	BDir, RL
<i>Emberiza citrinella</i>	Yellowhammer	2020	BIS, NBN	Bern, S7, LBAP, BirdR, WBR
<i>Emberiza schoeniclus</i>	Common Reed Bunting	2019	BIS, NBN	Bern, S7, LBAP, BirdA, WBA
<i>Acanthis cabaret</i>	Lesser Redpoll	2018	BIS, NBN	S7, LBAP, BirdR, WBA
<i>Carduelis carduelis</i>	Goldfinch	2021	BIS, NBN	Bern, LBAP
<i>Chloris chloris</i>	Greenfinch	2021	BIS, NBN	Bern, LBAP, RL, BirdR, WBA

<i>Fringilla montifringilla</i>	Brambling	2013	BIS, NBN	WCA, WBA
<i>Linaria cannabina</i>	Linnet	2020	BIS, NBN	Bern, S7, LBAP, RL, BirdR, WBR
<i>Loxia curvirostra</i>	Red Crossbill	2019	BIS	Bern, WCA, LBAP
<i>Pyrrhula pyrrhula</i>	Eurasian Bullfinch	2021	BIS, NBN	S7, LBAP, BirdA, WBR
<i>Spinus spinus</i>	Siskin	2021	BIS, NBN	Bern, LBAP
<i>Delichon urbicum</i>	Common House Martin	2020	BIS, NBN	Bern, LBAP, RL, BirdR, BirdA
<i>Hirundo rustica</i>	Swallow	2020	BIS, NBN	Bern, LBAP, WBA
<i>Riparia riparia</i>	Sand Martin	2021	BIS, NBN	Bern, LBAP, WBA
<i>Locustella naevia</i>	Grasshopper Warbler	2019	BIS, NBN	S7, LBAP, BirdR, WBR
<i>Anthus pratensis</i>	Meadow Pipit	2020	BIS, NBN	Bern, BirdA, WBA
<i>Motacilla alba</i>	Pied Wagtail	2022	BIS, NBN	Bern, LBAP
<i>Motacilla cinerea</i>	Grey Wagtail	2022	BIS, NBN	Bern, LBAP, RL, BirdR, BirdA, WBA
<i>Motacilla flava</i>	Western Yellow Wagtail	2008	BIS, NBN	Bern, S7, LBAP, RL, BirdR, WBR
<i>Erithacus rubecula</i>	Robin	2019	NBN	Bern
<i>Phoenicurus phoenicurus</i>	Redstart	2021	BIS, NBN	Bern, LBAP, BirdA, WBA
<i>Cyanistes caeruleus</i>	Eurasian Blue Tit	2021	BIS, NBN	Bern, LBAP
<i>Parus major</i>	Great Tit	2021	BIS, NBN	Bern, LBAP
<i>Periparus ater</i>	Coal Tit	2020	BIS, NBN	Bern, LBAP
<i>Poecile montanus</i>	Willow Tit	2020	BIS	Bern, S7, LBAP, BirdR, WBR
<i>Poecile palustris</i>	Marsh Tit	2019	BIS, NBN	Bern, S7, LBAP, RL, BirdR, WBR
<i>Passer domesticus</i>	House Sparrow	2021	BIS, NBN	S7, BirdR, WBA
<i>Phylloscopus collybita</i>	Chiffchaff	2021	BIS, NBN	LBAP
<i>Phylloscopus sibilatrix</i>	Wood Warbler	2019	BIS	S7, BirdR, WBR
<i>Phylloscopus trochilus</i>	Willow Warbler	2020	BIS, NBN	BirdA, WBR
<i>Prunella modularis</i>	Dunnock	2020	BIS, NBN	Bern, S7, LBAP, BirdA
<i>Regulus regulus</i>	Goldcrest	2022	BIS, NBN	Bern, LBAP, WBA
<i>Sitta europaea</i>	Eurasian Nuthatch	2021	BIS, NBN	Bern, LBAP
<i>Sturnus vulgaris</i>	Starling	2019	BIS, NBN	Bern, BDir, S7, LBAP, RL, BirdR, WBR
<i>Curruca communis</i>	Whitethroat	2020	BIS, NBN	LBAP, BirdA, WBR

<i>Sylvia atricapilla</i>	Eurasian Blackcap	2020	BIS, NBN	LBAP
<i>Sylvia borin</i>	Garden Warbler	2020	BIS, NBN	LBAP
<i>Troglodytes troglodytes</i>	Wren	2019	NBN	Bern, BirdA
<i>Turdus iliacus</i>	Redwing	2021	BIS	BDir, WCA, LBAP, RL, BirdR, WBA
<i>Turdus merula</i>	Blackbird	2019	NBN	BDir, RL
<i>Turdus philomelos</i>	Song Thrush	2020	BIS, NBN	Bern, BDir, S7, LBAP, RL, BirdA, WBA
<i>Turdus pilaris</i>	Fieldfare	2020	BIS	BDir, WCA, LBAP, RL, BirdR, WBA
<i>Turdus viscivorus</i>	Mistle Thrush	2019	BIS, NBN	Bern, BDir, RL, BirdR, WBA
<i>Dendrocopos major</i>	Great Spotted Woodpecker	2021	BIS, NBN	Bern, LBAP
<i>Picus viridis</i>	European Green Woodpecker	2021	BIS, NBN	Bern, LBAP, WBA
<i>Tachybaptus ruficollis</i>	Little Grebe	2020	BIS	LI
<i>Strix aluco</i>	Tawny Owl	2021	BIS, NBN	CITES, Bern, LBAP, RL, BirdA
<i>Tyto alba</i>	Western Barn Owl	2020	BIS, NBN	CITES, Bern, WCA, LBAP
<i>Lampetra fluviatilis</i>	River Lamprey	2003	BIS, NBN	HDir, Bern, S7, LBAP, NS
<i>Lampetra planeri</i>	Brook Lamprey	2003	NBN	HDir, Bern
<i>Dama dama</i>	Fallow Deer	2020	BIS	Bern, LBAP
<i>Lutra lutra</i>	European Otter	2022	BIS, NBN	CITES, HDir, Bern, WCA, S7, LBAP, NS
<i>Meles meles</i>	Eurasian Badger	2022	BIS, NBN	Bern, LBAP
<i>Mustela erminea</i>	Stoat	2021	BIS	Bern, NRWP, LBAP, NR
<i>Mustela nivalis</i>	Weasel	2014	BIS, NBN	Bern, NRWP, LBAP, NR
<i>Mustela putorius</i>	Polecat	2016	BIS, NBN	HDir, Bern, S7, LBAP, NS
<i>Rhinolophus hipposideros</i>	Lesser Horseshoe Bat	2021	BIS, NBN	HDir, Bern, CMS, WCA, S7, LBAP, NS
<i>Myotis</i>	Myotis Bat species	1986	BIS, NBN	HDir, Bern, WCA
<i>Myotis brandtii</i>	Brandt's Bat	1997	BIS, NBN	HDir, Bern, CMS, WCA, LBAP, RL, NS
<i>Myotis daubentonii</i>	Daubenton's Bat	2019	BIS, NBN	HDir, Bern, CMS, WCA, LBAP, NS
<i>Myotis mystacinus</i>	Whiskered Bat	2015	BIS	HDir, Bern, WCA, LBAP, NS
<i>Myotis mystacinus/brandtii</i>	Whiskered/Brandt's Bat	1986	BIS, NBN	HDir, Bern, WCA
<i>Myotis nattereri</i>	Natterer's Bat	2019	BIS	HDir, Bern, WCA, LBAP, NS
<i>Nyctalus noctula</i>	Noctule Bat	2021	BIS, NBN	HDir, Bern, CMS, WCA, S7, LBAP, NS

<i>Pipistrellus</i>	Pipistrelle	2016	BIS, NBN	WCA
<i>Pipistrellus nathusii</i>	Nathusius's Pipistrelle	2020	BIS	HDir, Bern, WCA, NS
<i>Pipistrellus pipistrellus</i>	Common Pipistrelle	2021	BIS, NBN	HDir, Bern, CMS, WCA, S7, LBAP, NS
<i>Pipistrellus pygmaeus</i>	Soprano Pipistrelle	2021	BIS	HDir, Bern, WCA, S7, LBAP, NS
<i>Plecotus</i>	Long-eared Bat species	1986	BIS, NBN	HDir, Bern, WCA
<i>Plecotus auritus</i>	Brown Long-eared Bat	2019	BIS, NBN	HDir, Bern, CMS, WCA, S7, LBAP, NS
<i>Chiroptera</i>	Bats	2020	BIS, NBN	WCA
<i>Erinaceus europaeus</i>	West European Hedgehog	2021	BIS, NBN	Bern, S7, LBAP, RL
<i>Sorex minutus</i>	Eurasian Pygmy Shrew	1973	BIS, NBN	Bern, LBAP
<i>Lepus europaeus</i>	Brown Hare	2022	BIS	S7, LBAP
<i>Oryctolagus cuniculus</i>	European Rabbit	2017	NBN	RL
<i>Arvicola amphibius</i>	European Water Vole	1999	BIS	WCA, S7, LBAP
<i>Anguis fragilis</i>	Slow-worm	2021	BIS	Bern, WCA, S7, LBAP
<i>Natrix helvetica</i>	Grass Snake	2013	BIS	Bern, WCA, S7, LBAP
<i>Margaritifera (Margaritifera) margaritifera</i>	Freshwater Pearl Mussel	1992	BIS	HDir, Bern, WCA, S7, LBAP, NS
<i>Physcia tribacia</i>		1983	BIS, NBN	LI
<i>Caloplaca aurantia</i>		1983	BIS, NBN	LI
<i>Xanthoria ucraïnica</i>		1983	NBN	NS
<i>Hyacinthoides non-scripta</i>	Bluebell	2021	BIS, NBN	WCA
<i>Sinapis arvensis</i>	Charlock	2004	BIS	RL
<i>Galeopsis speciosa</i>	Large-flowered Hemp-nettle	1997	BIS	S7, RL
<i>Meconopsis cambrica</i>	Welsh Poppy	2020	BIS	NS

Note that Black Poplar (*Populus nigra*) has been removed from the list, as it was regarded as Least Concern in the last Red List but remains a rare species.

Bats

Seven species of bat had been recorded from Gilestone Farm: Lesser Horseshoe, Natterers, Brown long-eared, Noctule, Nathusius' Pipistrelle, Common Pipistrelle and Soprano Pipistrelle. A further three species were recorded in the surrounding areas and may also utilise Gilestone Farm to varying degrees: Brandt's, Whiskered and Daubenton's, with the latter likely to forage over the river. All are protected under the Wildlife and Countryside Act 1981 and are listed in article 4 of the Habitats Directive. Unidentified *Myotis* and *Eptesicus/Nyctalus* species were also widely recorded site by the Vincent Wildlife Trust (Sedgeley, 2014). Five of these are listed on Section 7 of the Environment (Wales) Act 2016.

Other mammals

One of the most significant species recorded on the boundary of Gilestone Farm is the European Otter, which is listed on Article 2 of the Habitats Directive, Wildlife and Countryside Act 1981, Section 7 of the Environment (Wales) Act 2016 and the Brecon Beacons National Park LBAP. As stated in the SSSI citations, it utilises the river Usk and its tributaries, with individuals ranging widely through the catchment.

One further species listed in Article 2 of the Habitats Directive and Section 7 of the Environment (Wales) Act 2016, the European Polecat, was also recorded in the vicinity in 2016. Polecats range widely and are likely to utilise the Gilestone Farm.

European Hedgehog have been recently recorded from Gilestone Farm and are listed on Section 7 of the Environment (Wales) Act 2016.

Brown Hare and Water Vole have been recorded in the vicinity and are listed in Section 7 of the Environment (Wales) Act 2016. Water Voles are also listed in the Wildlife and Countryside Act 1981 and may use the part of the river that forms the eastern boundary of Gilestone Farm.

Reptiles and amphibians

The Barred Grass-snake *has been recorded from Gilestone Farm and is listed on Section 7 of the Environment (Wales) Act 2016 and in the Wildlife and Countryside Act 1981.*

Slow-worm, Viviparous Lizard and Common Toad have all been recorded from the vicinity of Gilestone Farm and are listed in Section 7 of the Environment (Wales) Act 2016 and in the Wildlife and Countryside Act 1981. There are reports of Slow-worm in gardens close to the boundary of the farm, so it is likely that they also utilise the farm. Common Toad range widely and are also likely to utilise Gilestone Farm.

Fish

Fish account for many of the most important species recorded on the boundaries of Gilestone Farm, all within the river Usk. Several are listed in the Habitats Directive: River Lamprey, Brook Lamprey, *Salmon* and European Bullhead. *These are all primary reasons for designation for the river Usk SAC.*

European Eel and Brown trout have also been recorded on the river nearby. Both are listed in Section 7 of the Environment (Wales) Act 2016

Birds

Many important birds have been recorded from Gilestone Farm or are likely to utilise habitat on or adjacent to the farm. Seven of those recorded from the site are listed on Section 7 of the Environment (Wales) Act 2016: European Nightjar, Grey Partridge, Curlew, Lapwing, Common Grasshopper Warbler, Common Linnet and Yellowhammer. An important site for Curlew occurs close to Gilestone Farm, which has led to them being recorded from the site. Osprey *Pandion haliaetus* have also been frequently recorded in the area in 2021 and 2022, including records that demonstrate use of Gilestone Farm.

A further seven Section 7 birds have been recorded on the boundaries of Gilestone Farm and are likely to utilise the site. *These include Skylark, which may have been resident at or near to Gilestone Farm when it was recorded in 2010. Twenty-two more Section 7 birds have been recorded from the surrounding landscape, some of which may utilise Gilestone Farm to varying degrees.*

Nineteen birds that are listed in the Wildlife and Countryside Act 1981 have been recorded in the surrounding area, some of which are likely to utilise Gilestone Farm.

Crayfish

An undated record of White-clawed Crayfish was included in the results. This species is listed in the Habitats Directive and the Wildlife and Countryside Act 1981 and will have utilised the river.

Butterflies and moths

The Rosy Rustic moth is common but has declined enough to be regarded as a 'research only' Priority Species in Section 7 of the Environment (Wales) Act 2016. It feeds on docks *Rumex* spp. and members of the daisy family, which will likely to grow on site. It was last recorded from Gilestone Farm in 2020 and is therefore likely to be extant on site.

Twenty-six species of butterfly and moth that are listed in Section 7 of the Environment (Wales) Act 2016 have been recorded in the surrounding area. These include the White-letter Hairstreak, which is also listed in the Wildlife and Countryside Act 1981. The extent to which these are likely to utilise Gilestone Farm needs to be reviewed.

Flies

Two flies listed in Section 7 of the Environment (Wales) Act 2016 have been recorded on shingle on the river Usk nearby: the Northern Silver-stiletto and Southern Silver-stiletto. These are included in an important assemblage of species associated with Exposed Riverine Sediments, detailed in the Invertebrate assemblages section.

The Brecon Beacons National Park LBAP species the Southern Yellow-splinter Cranefly has been recorded on the river Usk nearby. This species breeds in partially submerged coarse woody debris and may occur on the river adjacent to Gilestone Farm.

Molluscs

Included in results was a tantalising record of the Freshwater Pearl Mussel in the River Usk near to Gilestone Farm in 1992. This species is listed in the Habitats Directive, Section 7 of the Environment (Wales) Act 2016 and in the Wildlife and Countryside Act 1981.

Plants

The other Section 7 species are one plant and one moth. Large-flowered Hemp-nettle is an arable weed that has declined markedly due to modern methods of cultivation. It is listed on Section 7 of the Environment (Wales) Act 2016 and as Vulnerable in the latest plant red data list for Wales (Dines, 2008). It was last recorded on the site in 1997, so may no longer be present.

Bluebell has been recorded from the boundaries of Gilestone Farm and is listed in the Wildlife and Countryside Act 1981. There is a good chance that this extant within the site, in the Ancient Woodland.

The Brecon Beacons National Park LBAP species Spruce's Bristle-moss has been recorded in the surrounding area.

Invertebrate assemblages

Very few invertebrate species had been recorded specifically from the site, so the 585 species that had been recorded from the site and entirely within the 1,000 m buffer were analysed, including those recorded by Sinnadurai, Jones and Ormerod (2016).

Species of tall sward and scrub had the highest representation among the records available (117 taxa), but the Species Quality Score was relatively low at 105 (100 represents only common species). Significant scores were obtained for species of decaying wood (69 taxa; SQI 146) and running water (100 species; SQI: 135).

Saproxylic invertebrates, those associated with decaying wood, are of high conservation importance due to the increasing scarcity of suitable habitat. It is likely that the saproxylic assemblage recorded is present in the landscape, rather than Gilestone Farm itself. The absence of ancient or veteran trees recorded from the site in the Ancient Tree Inventory, except for the one on the riverbank, suggests that Gilestone Farm provides limited habitat for saproxylic species, though this may be due to an absence of survey data rather than a lack of decaying wood. Numerous trees are visible along the field boundaries and within the small woodland, some of which may provide valuable habitat. The assemblage associated with running water clearly relates to the designated river system. Many of these are aquatic species occurring within the river itself, but riverside habitats are also important. Key among these is Exposed Riverine Sediments (ERS), which is an ephemeral habitat that has become increasingly rare due to river canalisation, water abstraction and other river modifications. Twelve beetles and eleven flies recorded within 1,000 m of the site are considered to have an affinity with ERS (Table 2), including two flagship priority species for the habitat: the Northern Silver-stiletto *Spiriverpa lunulata* and Southern Silver-stiletto *Clorismia rustica*, as well as the

near threatened Yellow-tipped Soldierfly *Oxycera terminata*. ERS occurs along the site boundary, though largely on the opposite riverbank

Table 2. Species recorded within 1,000 m of Gilestone Farm that have an affinity with Exposed Riverine Sediments. The affinities given are those for beetles (dependent/associated; Bates, 2006) and flies (total, strong and moderate fidelity; Drake et al., 2007). The main conservation statuses are shown.

Taxon	Status	Affinity
<i>Bembidion atrocaeruleum</i>		Dependent
<i>Bembidion decorum</i>		Dependent
<i>Bembidion monticola</i>	Nationally Scarce	Dependent
<i>Bembidion prasinum</i>	Nationally Scarce	Dependent
<i>Bembidion punctulatum</i>		Dependent
<i>Bembidion tibiale</i>		Dependent
<i>Bracteon litorale</i>	Nationally Scarce	Dependent
<i>Hydraena gracilis</i>		Dependent
<i>Bembidion dentellum</i>		Associated
<i>Bembidion lunatum</i>	Nationally Scarce	Associated
<i>Chlaenius vestitus</i>		Associated
<i>Clivina collaris</i>		Associated
<i>Oxycera terminata</i>	Nationally Scarce; Near Threatened	Total fidelity
<i>Spiriverpa lunulata</i>	Nationally Scarce; Priority Species	Total fidelity
<i>Athyroglossa glabra</i>		Strong fidelity
<i>Rhabdomastix edwardsi</i>		Strong fidelity
<i>Clorismia rustica</i>	Nationally Scarce; Priority Species	Strong fidelity
<i>Dixa puberula</i>		Moderate fidelity
<i>Hemerodromia unilineata</i>		Moderate fidelity
<i>Hilara albiventris</i>	Nationally Scarce	Moderate fidelity
<i>Antocha vitripennis</i>		Moderate fidelity
<i>Limnophora riparia</i>		Moderate fidelity
<i>Nephrotoma guestfalica</i>		Moderate fidelity

Discussion

The results demonstrate the high nature conservation importance of the river Usk and its tributaries. This high importance extends to the surrounding habitats, including those within Gilestone Farm.

The river Usk is best considered as a whole catchment. This means that operations occurring outside of the designated area but inside the catchment have the potential to impact the whole river. Many of the activities affecting the River Usk at Gilestone Farm will have occurred much further upstream and will relate to anything from diffuse pollution to abstraction of water. Nevertheless, activities on Gilestone Farm should avoid negatively impacting the river.

As well as being important for aquatic biodiversity, including fish, Otter, White-clawed Crayfish, Water Vole and aquatic vegetation, the river more broadly is clearly of importance for its Exposed Riverine Sediments (ERS) invertebrate assemblages. ERS is a unique, rare and often overlooked habitat for which the river Usk is well-known. The biggest threats to ERS are changes to the wider river, including canalisation, over-abstraction, damming, engineering, etc. It is an early successional habitat that relies upon frequent disturbance, so limited footfall is unlikely to present an issue, though heavy recreational use of the habitat should be avoided. As a general rule, changes on or adjacent to ERS should be avoided, as many ERS specialists are relatively fussy, and changes may result in the removal of the precise conditions they need to survive. For example, tree planting adjacent to ERS should be avoided, as many ERS specialists, including the two stiletto-flies, require direct sunlight and bare sediment for basking. Equally, removal of trees adjacent to ERS should be avoided, since some ERS specialists, such as Yellow-tipped Soldierfly, require shade.

The use of Gilestone Farm by Osprey, which will be feeding on fish from the river, is significant and likely since the site is relatively undisturbed. Large numbers of people and noise are likely to disturb the Osprey, which could result in them moving away from the site and possibly also the area.

The other significant habitat is the presence of Ancient Semi-natural Woodland. As an irreplaceable habitat, it should not be damaged or destroyed, either whole or in part.

The landscape is clearly also important for veteran trees, decaying wood and associated fauna. The importance of Gilestone Farm for this is unclear, so a veteran tree survey is recommended to determine the extent of its contribution to this valuable landscape. This could also assess the level of decaying wood in the woodland areas and field boundaries.

Gilestone is an important site for bats, with seven clearly recorded within and a further three in the surrounding area. Whilst the Lesser Horseshoe Bats are most likely to be commuting and foraging over the site from nearby roosts, other species may roost on site. Bats will be negatively affected by any changes that increase disturbance, including noise and lighting, or decrease the availability of habitat over which to forage.

Birds are highly mobile and well recorded, so it is difficult to relate the numerous records of important birds to residence or use of the site. However, it seems likely that those species of farmland will have utilised the site when the records were made. Common Linnet and Yellowhammer were both recorded in 2020, so are likely to still be resident on site. Lapwing and Grey Partridge may no longer be present, having last been recorded in 2014 and 1995 respectively. European Nightjar may also utilise the small woodland areas within and adjacent to the site.

Recommendations for further survey

Key survey recommendations are as follows:

1. Phase 1 survey of the site. This would update the existing habitat data, which appears to be out of date.
2. Veteran tree survey of Gilestone Farm to determine whether any unrecorded veteran trees are present. Ideally, this will be undertaken by an entomologist that can also assess the general saproxylic potential of the site, encompassing fallen and standing deadwood not associated with veteran trees. This could be undertaken as part of the Phase 1 survey.

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Annex 1: Providers of the NBN Atlas data used

The following organisations provided data that was included in the NBN Atlas data used for this work.

- Aquatic Heteroptera Recording Scheme
- Balfour-Browne Club
- Bat Conservation Trust
- Biological Records Centre
- BIS for Powys & Brecon Beacons National Park
- Botanical Society of Britain & Ireland
- British Bryological Society
- British Dragonfly Society Recording Scheme
- British Lichen Society
- British Trust for Ornithology
- Cofnod – North Wales Environmental Information Service
- Dipterists Forum
- Environment Agency
- Grasshopper Recording Scheme
- Joint Nature Conservation Committee
- Natural Resources Wales
- Royal Society for the Protection of Birds
- Soldierflies and Allies Recording Scheme
- South East Wales Biodiversity Records Centre
- Tachinid Recording Scheme
- Terrestrial Heteroptera Recording Scheme (Shieldbugs & allied species)
- The National Longhorn Beetle Recording Scheme
- UK Butterfly Monitoring Scheme
- UK Crane-fly Recording Scheme

Annex 2: Analysis of species records

The species records were combined, ensuring that the source was retained, and analysed to determine for each species:

- The year of the latest record.
- The maximum percentage of the area represented by the record that intersected with the digitised Gilestone Farm site boundary. This provided an indication of the likelihood that the record related to the site (100% = wholly within the site boundary, 0% = not within the site boundary).
- The maximum percentage of the area represented by the record that intersected with the digitised Gilestone Farm site boundary plus a 1,000 m buffer. This provided an indication of the likelihood that the record related to the buffered area (100% = wholly within the buffer, 0% = not within the buffer).
- Species status. This was included in the BIS data, but not in the NBN Atlas data where the JNCC taxon designations spreadsheet was used. BIS data also indicated local status that was not included in the JNCC spreadsheet. This indicates the conservation importance of each taxon, though note that not all statuses confer conservation importance, and some do not apply to Wales.

Species that occurred more than once under different names were manually identified and removed. This process meant that duplicate records had no impact on the results.

Gilestone Farm flooding - Suitability of Gilestone Farm in terms of flood risk

Gilestone Farm is situated on a floodplain and most of it is identified by Natural Resources Wales (NRW) as being at medium or high flood risk. Realistically, the only significant field on the farm that is level and not built on is the glamping site. This is less than 1 hectare in extent.

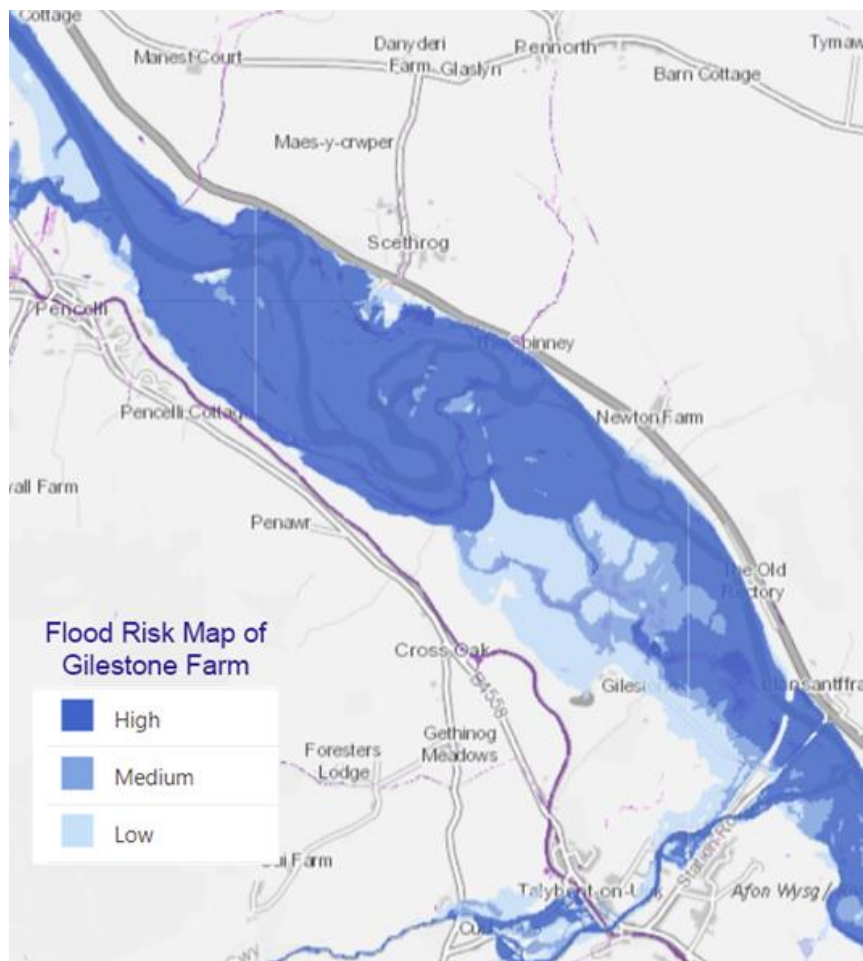
From observation we know of certain dates when the farm was subject to flooding. By correlating these with data on river flow rates we estimate that a 2-day average flow rate of 197 m³/sec or more leads to serious flooding. Based on NRW flow rate data for the Usk near Gilestone, we note these conditions were met on 6 occasions in the 21 years from January 2000. This gives a mean time between serious flood events of c.3.5 years, although as some years are wetter than others it may be more realistic to say that we estimate that the farm experienced serious flooding in at least 5 of those 21 years, or approximately 1 out of every 4 years.

The term 'serious flooding' is used here to mean times when both the high and medium flood risk areas (as delineated in the NRW flood risk map) are inundated. Together these represent about 85% of the farm. Lesser degrees of flooding occur very much more frequently and the impacts of climate change should be expected to increase the frequency and severity of flooding in coming years.

This approach to estimating the frequency of flooding is pragmatic, but not scientifically rigorous - although the results do seem to be in line with local experience. It is noted that the actual frequency of flooding is very much greater than that predicted by the NRW flood risk maps. This may be because the model operates at a national level and makes assumptions about channel capacities rather than using site specific conditions. In particular, it is likely that the road bridge and railway embankment are significant features in terms of local flooding. There is also a possibility of inundation caused by over-bank flows from the Caerfanell, immediately to the south of the farm.

Given that flooding should be a key determinant in assessing the suitability of the farm for festivals and potentially other developments, a better understanding of the actual frequency of flooding is urgently needed. This requires hydrological modelling but that is currently beyond the resources of the UVCG.

Natural Resources Wales: Flood Risk Map



The photograph below records a particular incident of flooding during September 2008 when the then (unauthorised) caravan site was present on the farm.



The 1980's and 2019 records flooding of the public highway near the entrance to Gilestone Farm, and on a field adjacent to the farm

1980s



2019

Usk bridge impassable due to flooding

Police said a bridge over the River Usk at Talybont-on-Usk is impassable. Officers have warned drivers to "stay away".

Breconshire Police
@DPPBrecon · Follow

8058 The bridge over the Usk at Talybont-on-Usk is impassable local farmer just pulled this delivery van out #staysafe stay away



4:06 PM · Oct 26, 2019

Usk Valley Conservation Group July 2022

Agenda Item 8

By virtue of paragraph(s) vi of Standing Order 17.42

Document is Restricted