



Decarbonisation of Housing Inquiry

Community Housing Cymru's Written Response

Housing associations strive to be a low carbon sector, through work across our businesses and our homes we actively seek opportunities to reduce our impact on the environment and reduce energy bills for our tenants. As a sector, we recognise the impact that homes have on the environment, and the impact that homes can have on tackling climate change. Decarbonising our existing stock can also boost the foundational economy by supporting local supply chains and creating jobs, and also provide warmer homes that are more affordable for tenants to run.

Many housing associations have already begun retrofitting their homes to net-zero standards. For example, in November 2020, Pobl with their partner Sero, launched the [UK's largest transformative energy retrofit project](#) which plans to see 650 homes in Swansea benefit from the installation of renewable energy generation, energy storage and smart energy management technology. The scheme has been supported by £3.5mn EU funds from the European Regional Development Fund (ERDF) through the Welsh Government, and will see the community generate as much as 60 per cent of their total electricity requirements, reducing bills as well as carbon emission by as much as 350 tonnes per year. Another example includes Adra Housing Association, who has begun piloting the retrofit of 80 of its homes to develop the best approach to retrofitting its housing stock, with support from the Welsh Government's Optimised Retrofit Programme.

To realise the huge opportunity presented by the decarbonisation of existing homes four key conditions need to be in place:

1. **A clear and affordable financing mechanism.** This is likely to involve a blend of public and private finance but must be in place ahead of scaling up the programme and imposition of targets on the sector.

2. **Effective learning into what works and the true cost of retrofit.** The Optimised Retrofit provides an opportunity to understand this in greater detail but sharing the learning as we go and ensuring that data is robust is key to the roll out.
3. **A coordinated approach to building the skills we need with the accompanying investment** that ensures that we maximise the investment into decarbonisation in Wales to support the foundational economy.
4. **Support and time to ensure that the retrofit of existing stock is carried out with full and proper tenant engagement.** The Optimised Retrofit Programme provides a good opportunity to invest more in tenant engagement and learn what works well.

More information on each of these areas is detailed below.

1. **A clear and affordable financing mechanism**

Opportunity: In order for the social housing sector to decarbonise at the pace and scale that is needed, a blend of investment including substantial Government subsidy will be vital. This investment will support housing associations to both retrofit existing stock and continue to develop new affordable homes which helps meet the housing need in Wales. This investment will also create local jobs, support the foundational economy, and help tackle the climate change emergency. Further, given that Wales is leading the way in terms of residential decarbonisation, the job creation will be enhanced by the new enterprises being set up to produce the new technologies required. We are starting to see this happen because of the activity by the housing association sector.

Challenges: The scale of the challenge is significant. The Optimised Retrofit Programme is an important part of building our understanding of the true costs of retrofit for different property types however the Welsh School of Architecture research provides a helpful estimate of an average cost of £18,445¹ per property. It is likely that for some properties that this figure is conservative at best. The Future Generations Commission's commissioned [report](#) with NEF estimated the cost of decarbonisation of the social housing sector to be in the region of £5.5bn.

This cannot be funded from existing budgets alone. Housing associations leverage significant private borrowing to blend with public investment into existing homes and building new homes. This makes every pound of public investment go further. However, the scale of the challenge means that this will not be sufficient and a significant investment of public funding is required if

¹ This figure is drawn from early findings of the stage 3 research by the Welsh School of Architecture (WSA) into decarbonising of the Welsh housing stock (work that was commissioned by the Welsh Government).

the ambitions stated by the Welsh Government are deliverable. Housing associations will continue to invest in improving their tenant's homes in line with their existing asset management strategies. Failure to do this will at worst mean that decarbonisation will not be delivered over a ten-year programme (as recommended by the [Better Homes, Better Wales, Better World Report](#)) and even a best case will result in huge pressure and impact on services, the development programme and the business plans for even the most financially resilient of organisations.

The Future Generation Commissioner's report identifies UK Government funding as an important part of the funding mix. However, the recent UK Government Energy Strategy missed an opportunity to set out its ambitions with regard to retrofit and the funding that must accompany it with significant implications for the deliverability of current Welsh Government ambitions to decarbonise social housing stock.

It is likely that the next iteration of the Welsh Housing Quality Standard (WHQS) will include a high energy efficiency requirement such as EPC A. The sector is ambitious to achieve decarbonisation, however will need to be supported financially in order to do so. The WHQS2 financing model will need to provide the Boards of each social landlord sufficient assurance that the standard is achievable without compromising the other organisation's objectives, such as new homes, investment in existing stock and community development, for example. Failure to do this may cause significant regulatory and funding concerns.

The Regulator for Registered Social Landlords in Wales has recently published a [Sector Risk Overview](#) which provides an update on key risks and challenges faced by the housing association sector. In it the Regulator recognises that a new and updated version of WHQS will require *'substantial investment to improve the energy efficiency of RSLs' existing stock.* It states that *'there is currently significant uncertainty as to the total cost of this programme and the availability of government funding towards this expenditure.'*

The Welsh Government must commission detailed research and development to work with the sector to explore off balance sheet funding mechanisms. This needs to be completed and a longer term funding package in place well before any new standards are introduced. Funding made available in the Welsh Government budget provides an opportunity to accelerate this work.

What we need:

- **Longer term certainty over the financing of the decarbonisation of existing homes well ahead of the implementation of any new standard for implementation.**
- **The new WHQS should be deliverable and ensure the continued viability of the sector.**

- **The Welsh Government should work with the housing association sector to explore a range of off balance sheet funding models which can sit alongside government investment to meet the scale of the financing challenge as a matter of urgency.**

2. Effective learning into what works and the true cost of retrofit.

Opportunities: The Welsh Government's Optimised Retrofit Funding is a valuable and much needed first step in allowing housing associations to begin to retrofit homes. 26 housing associations have formed part of a collaboration led by Pobl and Sero to retrofit over 1,700 homes. Working together allows the sector and industry to better develop the digital tools required to enable the decarbonisation of homes across Wales, and to also build the skills and training that is needed to deliver the works. The Optimised Retrofit Programme has also taught us that a 'data first' principle is essential in ensuring that retrofit improvements work. It will be vital to ensure that whole house surveys are undertaken on homes before any other action, and this can take time.

Challenges: Although the Optimised Retrofit Programme is a much needed pilot to allow the sector to develop effective decarbonisation tools, it only focuses on what investment is required, it does not answer the question of how that investment is to be paid for. Both sides of that equation are vital to offer the longer-term certainty that housing associations and the industry must have to confidently embark on a longer term decarbonisation programme.

Challenges: Given that the Optimised Retrofit Programme is intended, as the Minister stated in 2020, *'not to upgrade all homes to zero carbon this year but to learn how to upgrade homes well, at an optimised cost'*, it is a shame that the sector has still not been able to learn from the work that has already taken place. CHC would like to see the Welsh Government and its partners share the vital learning from the Programme in a timely manner on a regular basis. The aim of the programme is also to set the standard for retrofit schemes such as the Welsh Quality Housing Standard which is currently being developed by the Welsh Government. We need to be confident that sufficient learning has been derived from the Optimised Retrofit Programme in order to inform such an important standard.

What we need: Lessons from the Optimised Retrofit Programme to be shared with the housing sector and industry in a timely manner.

3. A coordinated approach to building the skills we need with the accompanying investment

Opportunities: CHC's [Home Manifesto](#) demonstrates that investing in energy efficient homes will provide a local economic boost. Retrofitting half of housing associations homes in Wales, over

the next term of government, would support over 12,000 jobs, 3,000 training opportunities and create £2.5bn in economic output.

The Future Generations Commissioner's [Homes Fit for the Future](#) report demonstrates that a Welsh housing decarbonisation programme would create £19.32bn in additional GDP, £3.54bn of net tax benefit and 26,500 new jobs in Wales by 2030, helping to offset the economic impact and job losses of the recent pandemic. The programme would also save £8.3bn in energy bills and create £4.4bn in health and environmental benefits by 2040 helping to put more money back into local economies across Wales and reducing the strain on health and social care services, particularly during the winter

Challenges: Construction Industry Training Board (CITB) [modelling](#) suggests that an additional 12,000 full-time equivalent workers will be needed in Wales by 2028 to primarily deliver improvements to existing buildings to reduce energy demand. The construction industry however is facing large and persistent skills gaps and skill shortages, which will make meeting decarbonisation targets challenging. [JPPR](#) also states that there is a gap between the number of skilled workers required to build the infrastructure, and those already in the workforce, and states a need to transform the values and attitudes of all people and firms in the sector so that they are 'habituated to greening'.

Challenges: The Future Generations Commissioners' Homes Fit for the Future estimates that £5.5bn investment will be needed into the decarbonisation of social homes in Wales.

What we need:

- **To better understand what skills are currently available in Wales to undertake the retrofit of social homes to decarbonisation standards. This will allow us to determine what skills will be needed to decarbonise at scale.**
 - **Flexibility and pragmatism in the roll out of decarbonisation will be essential so that housing associations can work with SMEs to ensure a smooth implementation and a consistent pipeline.**
 - **Government investment to ensure jobs can be created.**
- 4. Support and time to ensure that the retrofit of existing stock is carried out with full and proper tenant engagement.**

Opportunities: Retrofitting homes to high energy efficiency standards can make homes warmer, more affordable to run, and are more environmentally-friendly. This has never been more important as we are experiencing both a climate and energy crisis, where energy bills have sky-rocketed and many more householders have plummeted into fuel poverty.

We helped establish a tenant engagement Community of Practice which we co-chair with Cynnal Cymru. This involves housing associations and other partners such as TPAS Cymru, Welsh Government and Sero sharing experiences of tenant engagement on decarbonisation. The group now has over 40 members and is a much needed, valuable space where attendees can learn from each other, prototype new approaches and hear from external speakers with experiences of tenant engagement.

Challenges: Each tenant will have differing needs and different personal interests meaning they will need to be engaged with in a tailored way. Although there are many benefits to retrofitting homes, the process can mean huge disruptions for tenants which can be off-putting. The Active Building Centre undertook research which has explored people's experiences of the retrofit process under the Optimised Retrofit Programme. It was reported that:

- Tenant engagement materials were found to be too technical and were aimed at a university level reading age. Two RSL's however did have material written in an accessible way at an appropriate reading level. These were Cadwyn and Newydd Housing.
- Some tenants were unaware that their homes were having low carbon technology fitted
- A general lack of understanding of the technologies being fitted
- An issue raised by professionals was that some tenants were not using the systems properly
- There was uncertainty about who to speak to about problems

What we need: The Optimised Retrofit Programme to prioritise tenant engagement so that appropriate and effective engagement tools and techniques can be shared with the sector. WHQS2 will also need to consider the tenant engagement challenge.

For more information, please contact bethan-proctor@chcymru.org.uk