



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

[Datgarboneiddio tai](#) / [Decarbonisation of housing](#)

DH03

Ymateb gan Sefydliad Tai Siartredig Cymru

Evidence from Chartered Institute of Housing (CIH) Cymru

Decarbonisation of housing in Wales

CIH Cymru inquiry response

This is a response to the Climate Change, Environment and Infrastructure Committee as it undertakes its inquiry into 'Decarbonisation of housing in Wales'.

1. Introduction

- 1.1 We strongly welcome the focus of this inquiry given that the decarbonisation of housing is at the core of our members work in Wales. Existing homes are and should rightly continue to be a central priority for the Welsh Government given that we have already built 80 per cent of the homes that we will still be using come 2050.¹
- 1.2 The availability, quality and cost of housing in Wales has received a huge boost in attention over the course of the Covid-19 pandemic. The striking increase in energy costs is one area where the pressing need to ensure homes perform as efficiently as possible, reducing the financial burden on households whilst in tandem addressing their impact on the environment is overwhelmingly apparent.

2. The financial challenge

- 2.1 In 'Homes fit for the future, the retrofit challenge', the Future Generations Commissioner for Wales estimated investment of £14.75bn over the next decade (£5.5bn to social housing, £4.8bn for homes in fuel poverty and £4.4bn for the owner-occupied, private rented sector) to meet our net zero ambitions.

¹ <https://www.ukgbc.org/news/ukgbc-responds-to-ccc-housing-report/> (Accessed



- 2.2 In their 2019 report 'Homes of Today for Tomorrow' a team from the Welsh School of Architecture have modelled a number of scenarios that set out the practical challenges ahead. The capital costs for improving homes to EPC rating A fall within these ranges -
- Good practice narrative £17k to £32k
 - Best practice narrative £33.5k to £63.3k
 - Heritage narrative £10.8k to £25.5k
 - Rural narrative £39.4k to £66.8k
- 2.3 These are substantial capital costs that at present would be prohibitive to many landlords and homeowners who may seek to achieve a greater level of efficiency for their home, lowering their environmental impact.
- 2.4 The report goes on to highlight that achievement of the rating is also reliant on other factors being progressed, reflecting that the ability to progress meaningfully in this area is reliant on other major infrastructure transformation, including significant improvements to clean energy supply (with national grid supplying 60% at the middle level and 80% clean energy if most transformative changes undertaken).
- 2.5 Without progress in other areas of infrastructure there are significant risks that moving towards cleaner energy could increase bills for some households despite homes in practice having a greatly diminished environmental impact.
- 2.6 First and foremost, the Welsh Government will need to look at its own long-term budgetary powers in making further sizeable commitments in this area. The report by the Future Generations Commissioner suggests that £1.7bn of the investment covering that 10-year period will need to come from the Welsh Government with the remaining investment stemming from the UK Government and private finance.
- 2.7 Outside of government grant, local authorities and housing associations will look at their borrowing capacity to explore how much additional borrowing they are able to facilitate, balancing this with the overall business risks involved. Additional borrowing capacity would depend heavily on the nature of loan covenants organisations have with existing lenders and their ability to justify additional bank debt given that, particularly for smaller social housing providers this could seem relatively expensive without a clear revenue or capital gain.



- 2.8 Social housing providers are already engaged in plugging the gap in finances through exploring financial products aimed at climate conscious activity, such as green bonds or investment with environment, social and governance (ESG) conditions, but for the majority of our members this remains a major area of challenge/risk.
- 2.9 In terms of social housing the next iteration of the Welsh Housing Quality Standard will be a key driver for organisations engaged in improving existing social housing and we strongly welcome the commitment from the Welsh Government to link elements of the standard more explicitly to activity around decarbonisation. We are disappointed however that the standard will not be operational until 2023 particularly given the significance that organisations rightly place on its detail linked to their financial planning and the subsequent need to ensure that investment in the sector is sufficient to support compliance.
- 2.10 There are a number of additional levers that we believe are worthy of further exploration:
- Value for money and economies of scale achieved through growing green industry serving the sector
 - Exploring how the Welsh Government could use its own buying power to bring down the cost of components and support supply chain capacity
 - The exploration of reducing VAT to 5% on products and components used to decarbonise existing homes (although we recognise that this is not directly within the competence of Welsh Government) as recommended in 'Financing Wales' Housing Decarbonisation'
 - Explore with urgency how Financial Transactions Capital could be utilised to provide low-cost borrowing to the sector as per the recommendation made by the Senedd's Finance Committee in 2019 during its inquiry into the Welsh Government's capital funding sources.

3. Decarbonising homes in the private rented sector

- 3.1 Private landlords are already operating in a challenging environment where pressures on their business may act as barriers to having a long-term focus on matters such as energy efficiency and reducing fuel poverty. With the proposed Minimum Energy Efficiency Standards (MEES) there is a clear



baseline landlords will have to work towards. But there is a risk that given the costs that achieving MEES could entail, landlords become unwilling to invest additional finance in improving a property beyond this - which at present would represent achievement of EPC C rating.

- 3.2 Add to that private landlords will be required to operate within a much more comprehensive building safety regime, which despite being a policy change we strongly agree with, will place significant financial and operational stresses on landlords. Landlords will also need to continue to act as a vital source of housing to prevent homelessness in the face of limited social housing supply and could be the subject of further regulation as the Welsh Government considers how rent controls could help make the market accessible to people on lower incomes. All of these either planned or proposed policy changes have an impact on the business models landlords operate within. Although we do not predict a mass exodus from the market, it is clear that if you are a small landlord with highly leveraged mortgages, your ability to carry business risk, offset costs and invest heavily linked to this work is greatly curtailed by any policy that could impact your overall income stream. Great care will be needed to balance how these areas of policy impact the ability and appetite of private landlords to action major improvements to their homes.
- 3.3 To compel landlords to continue on that journey of improvement a number of factors need to be considered as part of, or in directly linking to the next iteration of the Warm Homes Programme and the Welsh Government's broader plans to support change in this part of the sector:
- Financial support: The substantial costs involved in improving the efficiency of a home are likely to be prohibitive to some landlords. Financial support will need to be tailored to reflect the variety of business models private landlords operate under.
 - Consumer advice and confidence: The consumer environment for new, sustainable forms of providing clean energy into homes can be confusing and be reliant on an individual having some expertise. For private landlords there is need for greater government support to understand the products available, demystify the technology and build a greater knowledge base amongst landlords of the overall benefits of investing in improvements. Within this there should also be greater links



between the Welsh Government's Optimised Retrofit Programme and work to support private landlords.

- Local authority engagement: As primary points of engagement with a local private landlord population, local authorities have an important role to play in providing information, having a dialogue about local issues and sign-posting to sources of support. Whilst many local authorities operate private landlord forums, not all do and the level of engagement where these exist can be variable and heavily reliant on the staff resource available to facilitate it.

4. Understanding the skills challenge

4.1 In a recent roundtable held with our members focussing on skills required to achieve net zero within the housing sector a number of pertinent points were raised that add value in the context of decarbonisation of existing homes:

- Although the PAS2035² standard is a very welcome progression in the framework that underpins retrofit activity we recognise that for some of our members the burden placed by the framework on significantly increasing the number of roles linked to retrofit activity (coordinator, designer, adviser etc.) all of which wouldn't be realistic in the current climate.
- There is a clear need to work directly with existing contractors who may well be enthusiastic about upskilling or retraining their own staff to service new intelligent heating systems (for example) - but that the enthusiasm could be tempered by the level of existing work that any one contractor is already committed to given that, for those involved in large-scale frameworks their workload spans months/years.
- Competition for skills in the market is considerable - for smaller organisations there is likely to be an increasing challenge where the offer around benefit/pay is likely to make attracting professionals harder - a pattern that some have already seen with other types of technical skills, such as surveyors. Linked to this one attendee highlighted the challenge of retaining staff who may

² PAS 2035 is a specification for what is called 'whole-house' or 'whole building' retrofit. PAS 2035 is concerned with assessing domestic dwellings for energy retrofit. This involves identifying areas where improvements can be made and specifying and designing the relevant improvement measures. It is also concerned with the monitoring of domestic retrofit projects.



have undergone a significant amount of training and who may move on to other opportunities given the draw of private practise.

- A stubborn challenge is that of providing contractors with any form of certainty over what skills would be needed by when. Although an organisation could evidence the need for a programme of work, there needs to be clear and reliable funding in place to deliver so that the demand is there for contractors to actively train new staff and develop expertise. At present the certainty over the scale needed and when would be timely for the skills to exist is far too vague.

4.2 Our 'Back Housing/Cefnogi Tai' manifesto in the run-up to the Senedd election called for a workforce strategy for the housing sector to underpin the effort to (amongst other things) establish more granular data on the skills base and understand where and how further progress can be made. We still believe a strategy of this kind is sorely needed but welcome the Welsh Government's commitment to publishing a Net Zero skills strategy in the coming months.

5. Operational pressures

- 5.1 Through our Tyfu Tai Cymru project we undertook research to explore the extent of the supply chain pressures being reported by some of our members across four main areas - building new homes, fire safety, retrofitting and day to day maintenance.
- 5.2 Focussing on retrofitting activity those who responded to our survey highlighted that access to external expertise and supply chain capacity (limiting or slowing the availability of materials and products were the two biggest barriers to progressing their retrofitting activity. Aside from this, financial (specifically inflationary) constraints and broader budgetary pressures were felt to limit the ability of organisations to invest in large-scale activity.
- 5.3 Other issues, despite featuring less prominently included tenant concerns, concerns over using unfamiliar products, internal expertise/knowledge and procurement arrangements. The array of factors that influence how organisations plan to improve their homes present in this area of our research demonstrates how reliant success is on a wide range of factors i.e



the impact of even vast investment would be reliant on access to skills, being able to procure locally, being able to achieve economies of scale etc.

6. Engaging tenant and communities in the decarbonisation agenda

- 6.1 Although the technical aspect of decarbonising housing is an important subject area, our members are equally heavily focused on utilising tenant and community expertise and developing their approaches to enhance understanding of different measures, their necessity and their impact in practice for tenants.
- 6.2 The communication imperative is brought into sharp contrast if we for example consider the work of one of our members in undertaking thermographic surveying; an activity which can only be done at night meaning individuals walking around estates throughout the night which risks prompting calls from concerned residents. Or the need to install Smart Meters to control and aid evaluation of new intelligent energy systems. Or the installation and use of air source heat pumps that require a whole new way of using the heating system within a home which for many of us would be alien to the traditional systems we've become accustomed to.
- 6.3 Whilst we recognise the work already underway through the Optimised Retrofit Programme focussing on communication as its main theme, we're minded those approaches to engaging and involving tenants will need to remain a core part of the approach.

About CIH

The Chartered Institute of Housing (CIH) is the independent voice for housing and the home of professional standards. Our goal is simple - to provide housing professionals and their organisations with the advice, support, and knowledge they need to be brilliant. CIH is a registered charity and not-for-profit organisation. This means that the money we make is put back into the organisation and funds the activities we carry out to support the housing sector. We have a diverse membership of people who work in both the public and private sectors, in 20 countries on five continents across the world. Further information is available at: www.cih.org.

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