

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



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: MA-JJ-1030-23

Llyr Griffiths AS/MS
Chair
Climate Change, Environment and Infrastructure Committee
Senedd Cymru
Cardiff Bay
Cardiff
CF99 1SN

18 April 2023

Dear Llyr,

Thank you for your letter of 23 February 2023 containing the Climate Change, Environment and Infrastructure Committee's report on decarbonising the private housing sector. We are grateful for the Committee's work on this. Please find attached the Welsh Government's response.

Yours sincerely,

A handwritten signature in blue ink that reads "Julie James". The signature is written in a cursive, flowing style.

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

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

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1SN

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.

Response to Climate Change, Environment and Infrastructure Committee's report on Decarbonising the private housing sector

Table of Contents

Recommendation 1.....	3
Recommendation 2.....	4
Recommendation 3.....	5
Recommendation 4.....	6
Recommendation 5.....	7
Recommendation 6.....	8
Recommendation 7.....	9
Recommendation 8.....	10
Recommendation 9.....	11
Recommendation 10.....	12
Recommendation 11.....	14
Recommendation 12.....	15
Recommendation 13.....	16
Recommendation 14.....	17
Recommendation 15.....	18
Recommendation 16.....	21
Recommendation 17.....	22
Recommendation 18.....	23
Recommendation 19.....	24
Recommendation 20.....	25
Recommendation 21.....	26
Recommendation 22.....	27
Recommendation 23.....	28
Recommendation 24.....	29
Recommendation 25.....	30
Recommendation 26.....	31
Recommendation 27.....	32
Recommendation 28.....	34
Recommendation 29.....	35

Recommendation 1.

The Committee recommends that:

The Welsh Government must provide clearer and stronger strategic direction to the industry and other actors to help drive progress towards decarbonising Wales' existing homes.

Response: Accept

The Minister for Economy published the Net Zero Skills Action Plan on 28th February 2023. The Plan can be found at [Net zero skills Wales | GOV.WALES](#).

Welsh Government officials are working with the Decarbonisation Implementation Group in setting up and implementing a residential housing decarbonisation route map for Wales. The Decarbonisation Implementation Group are at the initial stage of identifying relevant themes and actors at a strategic level. Task and finish groups will then contribute to the development of a route map which will give direction and drive progress towards decarbonising Wales existing homes.

The Welsh Government is also addressing strategic engagement across all stakeholders via the Net Zero Carbon Performance Hwb which will launch in April. The Hwb will be an online platform and publish lessons learnt from across the Optimised Retrofit Programme. The Hwb will work in partnership with Welsh Government Skills along with the four Regional Skills Partnerships, Foundation Economy, Sell To Wales and Business Wales and will also include the promotion of training provision.

In addition, the Hwb will assist industry leads in the development of the supply chain of products and services required to decarbonise Wales 1.4 m homes.

Financial Implications – None. Any additional costs will be drawn from existing programme budgets.

Recommendation 2.

The Committee recommends that:

If the Minister does not intend to develop and publish a comprehensive housing decarbonisation strategy, she should explain the change in position since her response to the ESJ Committee's report.

Response: Accept in principle

The Net Zero Wales plan, published in October 2021 provided the long term national strategic commitments, on residential decarbonisation, to achieve 2050 climate change targets. Within the Strategic Plan, there is a commitment to have a delivery plan for the implementation of policies and proposals for decarbonising the sector.

Welsh Government officials are working with the Decarbonisation Implementation Group in setting up and implementing a residential housing decarbonisation route map for Wales. The Decarbonisation Implementation Group are at the initial stage of identifying relevant themes and actions at a strategic level. Task and finish groups will then contribute to the development of a route map which will give direction and drive progress towards decarbonising Wales existing homes.

The route map, will set the direction of travel required for residential decarbonisation in the short, medium and long-term.

Financial Implications – None. Any additional costs will be drawn from existing programme budgets.

Recommendation 3.

The Committee recommends that:

The Welsh Government's delivery plan for housing decarbonisation must include key milestones and interim targets for the privately owned sector.

Response: Accept in principle

Key milestones and interim targets for the privately owned sector will fall out of the work being carried out by Welsh Government officials and the Decarbonisation Implementation Group in developing the route map as referred to in recommendation 1.

Decarbonisation of privately owned homes, those in the privately rented and owner-occupied sectors is undoubtedly complex; we know that innovative funding models will be needed to play a role in the decarbonisation of these homes, the costs of which cannot rest fully on Government.

However, I am confident that the learning from Optimised Retrofit Programme, and other government schemes, will put us in a strong position to start the work in other tenures.

Other regulation activity that is not devolved will also play its part in decarbonisation of existing homes such as regulating for Minimum Energy Efficiency Standards (MEES).

Interventions such as the phasing out of gas boiler systems for new homes from 2025 and existing homes in the 2030's will have significant impact on the milestones for when privately owned homes will decarbonise. However, UK Government have not yet formally confirmed the dates for the phasing out of replacement gas boilers in existing homes.

Financial Implications – This cannot be valued at this time though it is noted that the costs of decarbonising all homes in Wales cannot fully rest with the Government.

Recommendation 4.

The Committee recommends that:

The Minister should report back to this Committee on progress towards the development of the delivery plan no later than six months after the publication of this report. She should also commit to providing progress reports every six months thereafter.

Response: Accept

As set out in response to Recommendation 2 above, Welsh Government officials are working with the Decarbonisation Implementation Group to develop a residential housing decarbonisation route map for Wales. The Decarbonisation Implementation Group are at the initial stage of identifying relevant themes and actions at a strategic level. Task and finish groups will then contribute to the development of a route map which will give direction and drive progress towards decarbonising Wales existing homes.

I am happy to provide progress updates to this committee on a decarbonisation route map.

Financial Implications – None. Any additional costs will be drawn from existing programme budgets.

Recommendation 5.

The Committee recommends that:

The Minister must publish an interim report on findings of the Optimised Retrofit Programme (ORP) to date.

Response: Accept

Funded projects under the Optimised Retrofit Programme can be found on the Welsh Government website.

TrustMark have been contracted to undertake the data analysis of all data collected from homes funded under the Optimised Retrofit Programme. Building performance, smart meter data as well as internal environmental data is will be analysed to understand which decarbonisation measures have the best impact for tenants comfort and for decarbonisation.

The lessons learnt from the Optimised Retrofit Programme will also form part of the public domain area of the soon to be launched Net Zero Carbon Performance Hwb. The Hwb will share knowledge, best practice, reports and findings from the Optimised Retrofit Programme and other programmes around what technologies perform the best.

One of the first reports to be published has been undertaken by Cardiff University, the research report is entitled, “Living Well in Low Carbon Homes” and will form part of the first series of reports available from the Net Zero Carbon Performance Hwb.

Financial Implications – None. Any additional costs will be drawn from existing programme budgets.

Recommendation 6.

The Committee recommends that:

The Minister should explain why she chose not to involve the private rented sector from the beginning of Phase 3 of the Optimised Retrofit Programme. She must also explain how and when the optimised retrofit approach will be “incrementally extended” to private rented sector and owner occupied homes.

Response: Accept

Residential decarbonisation is far more advanced in the social housing sector than it is in the privately owned homes sector. This is by design, not accident.

We have targeted the decarbonisation of socially owned homes in the first instance, agreeing to prioritise investment in social housing through the funding made available to social landlords through the Optimised Retrofit Programme.

The current position of less activity in the PRS and owner-occupied sectors reflects the approach of starting in social housing before moving to other tenures, not least as this is where we have the most levers.

Channelling ORP investment through social landlords has supported a ‘testing and learning’ approach to how to decarbonise homes effectively and efficiently. As well as evaluating the technical and tenant aspects of the work, actual costs are being monitored and used in the assumptions of future models of residential decarbonisation. This will provide the springboard to start the decarbonisation of homes in other tenures as we move forward.

In terms of privately owned homes, initial actions have begun to be taken, but not to the scale of those in the social housing sector. However, I am confident that the steps we are taking into the privately owned homes sphere are the right ones.

Ensuring coherence and building on our programme such as ORP and the Warm Homes Programme, making sure that our activities in regard to privately owned homes are the right ones and building on our wider approach is the right thing to do.

Our approach does not differ from other devolved administrations at targeting decarbonisation work at those least able to pay at a time when costs are rising. Improving the energy efficiency of homes will help those families most in need through the cost of living crisis.

Optimised Retrofit Programme has commenced engagement across all ownerships, via support of Leasing Scheme Wales for private landlords as well as blended Social Housing and Owner Occupier projects funded in phase 2 of the Optimised Retrofit Programme in Denbighshire.

Financial Implications – None. Any additional costs will be drawn from existing programme budgets.

Recommendation 7.

The Committee recommends that:

The Welsh Government must publish its response to the consultation on the next iteration of the Warm Homes Programme no later than March 2023. If the Welsh Government is not in a position to do so, we expect it to explain the reason in responding to this report.

Response: Accept in principle

My officials are developing a policy statement for my review and approval. I am expecting this shortly. I intend to publish the policy statement alongside a Welsh Government response to last year's consultation and a Review and Recommendation Report. These will not be published before the end of March, but will be shortly after.

The procurement for the replacement demand led scheme is expected to take place later this year with early engagement with the supply chain and other potential contributors to ensure a strong and timely response. A 'meet the supplier' event is planned for late April. This will set out our plans and gather valuable intelligence from industry.

Financial Implications – None. The Policy Response will lead to a specification for the new service, the costs of which are factored into existing budgets.

Recommendation 8.

The Committee recommends that:

The Welsh Government's response to its consultation on the next iteration of the Warm Homes Programme must provide further details of the Nest replacement scheme, including eligibility criteria, cost caps and energy efficiency retrofit measures.

Response: Accept

The new service will take account of learning from the findings of the Senedd Committee for Equality and Social Justice review of 2022 along with other similar reviews.

I am expecting, in the very near future, a Review and Recommendations Report, summarising the multitude of reviews of the Warm Homes Programme, alongside the Welsh Government's response to the 2022 public consultation on a future Warm Homes Programme. I expect to publish both soon, alongside a policy statement. The policy statement will provide more details of the replacement scheme.

Financial Implications – None. The costs of the new service are factored into existing budgets.

Recommendation 9.

The Committee recommends that:

The Welsh Government should explain how it intends to address gaps in provision following the end of the current Nest scheme and the launch of its replacement. The Welsh Government must accelerate work on the Decarbonising the private housing sector replacement scheme so that it can be launched by end of summer 2023 at the latest.

Response: Accept in principle

In my oral statement of November 8 2022, I provided information about how we will approach the challenges and opportunities of responding to the climate emergency across all housing tenures.

The intention is to continue to take a fabric first, worst first and low carbon approach, delivering measures to improve the energy efficiency of the least thermally efficient low-income households in Wales.

This will be achieved in two parts:

Part 1 - By bringing forward the procurement of a replacement demand led service (to replace Warm Homes Nest), we will ensure continuity to assist those least able to pay to respond to the cost of living crisis. This will also ensure a just and affordable transition to low carbon homes.

Part 2 - The development of a whole housing stock approach to decarbonisation to provide a long-term strategy for energy efficiency, fuel poverty and decarbonisation for the sector.

In February I provided further clarification I expect to procure a new, demand led scheme (Part 1) which tackles both the climate emergency and fuel poverty before the end of the year. There will be no gap in provision between the new and existing programmes. We will ensure continuity to assist those least able to pay to respond to the cost-of-living crisis.

The new scheme will focus on supporting households least able to pay (primarily those in or at risk of fuel poverty), in the owner occupier, private rented and housing co-operative sectors, to ensure a just and affordable transition to low carbon homes. The focus will remain on a fabric first, worst first approach and is expected to continue to adopt a whole house assessment approach as the current Programme.

Financial Implications – None. The costs of the new service are factored into existing budgets.

Recommendation 10.

The Committee recommends that:

The Minister should provide a detailed explanation of the proposed new programme to support housing decarbonisation (referred to in her letter to the ESJ Committee), including when it will be launched, how it will support the 'able to pay' sector, and the level of investment that will be made available for delivery of the programme over the next three years.

Response: Accept

In my oral statement of November 8 2022, I provided information about how we will approach the challenges and opportunities of responding to the climate emergency across all housing tenures.

The intention is to continue to take a fabric first, worst first and low carbon approach, delivering measures to improve the energy efficiency of the least thermally efficient low-income households in Wales.

As explained above Part 1 will focus on supporting households least able to pay (primarily those in or at risk of fuel poverty), in the owner occupier, private rented and housing co-operative sectors, to ensure a just and affordable transition to low carbon homes. The procurement for the replacement demand led scheme is expected to take place later this year. The funding for the new Programme in 2024/25 is expected to be £35m.

Funding from ORP is targeted to be £270m over this term of government (with circa £130m invested to date). In 2022-23, £60m was allocated to social landlords on a formula funding basis ensuring that all social landlords in Wales had the opportunity for support via the programme.

The Welsh Housing Quality Standard (WHQS) was introduced in 2002 to boost the quality of social housing in Wales. The WHQS has already improved the energy efficiency of social homes, which is a significant benefit in the current cost of living crisis.

The proposed new standard for WHQS 2023 will build on the excellent achievements of its predecessor. The new standard will keep anti-poverty requirements at its heart and improve energy efficiency, with the aim of supporting tenant's comfort and well-being.

Our proposals for WHQS 2023, are tenant-focussed and build on the excellent achievements so far – while continuing to ask for more on energy efficiency, water efficiency and biodiversity.

Following consultation and intensive engagement with the sector we expect to publish the new WHQS standard later this year.

We have always been clear that our initial focus was on the social housing stock but that we would seek to use the learning from our work there to inform the decarbonisation of other sectors.

To this end we are working on a number of strands that support other tenures, for example:

The Net Zero Carbon Performance Hwb will accelerate the delivery of low and zero carbon homes in Wales by becoming a dependable and trusted source of best practice, providing direction, consistency, and a greater sense of purpose for developers and social landlords alike.

The Development Bank of Wales has been working to understand the market need and delivery requirements for a support solution to increase the retrofit activity of owner-occupied homes in Wales for the 'able to pay' sector.

We plan to pilot scheme is launched in 2023-24 which will be used to 'test and learn' in the market and focus in on the area's where the funding is likely to have the greatest impact.

Leasing Scheme Wales (LSW) is a key Programme for Government commitment. Welsh Government are providing £30m capital funding over 5 years for Leasing Scheme Wales so that local authorities can lease private rental sector properties from landlords. As part of that programme, additional funding of up to £5,000 is available to meet the standards necessary and/or to improve the EPC rating of a property towards a C rating. Up to £25,000 grant funding is available for empty properties.

Financial Implications – Any additional costs will be drawn from existing programme budgets.

Recommendation 11.

The Committee recommends that:

The Minister should commit to monitoring the impact of the “collaborative approach” to ECO4 on local authority participation in the scheme and on the level of ECO funding for Wales.

Response: Accept in principle

The Welsh Government would like to encourage collaboration and consistency of process for the implementation of ECO Flex across Wales. This will help to incentivise energy suppliers to deliver projects in Wales, support introduction by local authorities and gain the maximum benefit for vulnerable households in Wales.

Officials have been working with the Welsh Local Government Association (WLGA) and Local Authorities to develop an approach which provides initial and ongoing support to ensure local authorities’ engagement. This approach should maximise the benefits for Welsh homeowners. The emphasis is on collaboration and the development of shared guidance and learning for use by the Local Authorities who will be responsible for monitoring their own participation levels and adhering with any monitoring set out by the UK Government.

Financial Implications – None. The costs of support to the public sector are factored into existing budgets.

Recommendation 12.

The Committee recommends that:

The Minister should explore with UCL Energy Institute the potential for using its all-Wales building stock model as a means of identify households eligible for ECO funding and for any future grant funding to support energy efficiency retrofit. She should report back to the Committee on the outcome as soon as practicable.

Response: Accept in principle

The Optimised Retrofit Programme has contracted TrustMark to undertake the data analysis of the homes funded in the programme. TrustMark work closely with the University College London Energy Institute in relation to stock models.

Welsh Government are in discussion with TrustMark with regards to an All-Wales stock model that will allow identification of households that can utilise other funding channels such as ECO funding or future funding arrangements that target support towards energy efficiency retrofit.

Recommendation 13.

The Committee recommends that:

The Minister should clarify whether and how the Welsh Government is promoting the UK Government's Boiler Upgrade Scheme among homeowners in Wales.

Response: Accept

UK Government schemes such as ECO and the Boiler Upgrade Scheme are likely to have utility in Wales and in many aspects complement the existing Welsh provision. However, given the ownership of these schemes sits in Whitehall, no specific promotion work has yet taken place in addition to that carried out by UKG although services like Nest signpost to these schemes where appropriate.

The Welsh Government is keen that the people of Wales can access the support and advice that is right for them as they improve the energy efficiency of, and decarbonise, their homes. Our existing, comprehensive programmes include:

Warm Homes - Welsh Government Warm Homes Nest scheme provides energy efficiency improvements to low-income households and those living in areas of deprivation across Wales. In 2021-22, £24.5 million of Welsh Government funding was invested in the energy efficiency of housing stock across Wales, helping to reduce fuel bills and improve the health and wellbeing of households most in need.

Part of the Warm Homes Programme includes free, impartial advice for households and signposting to a range of support services and wider schemes. This includes the UK Government's Boiler Upgrade Scheme.

During 2021-22, the Warm Homes Programme, Nest Scheme provided 15,777 households with free, impartial advice and signposting to a range of support services. 5,127 households received a package of free energy efficiency measures such as central heating, boiler, insulation, or Solar PV.

Recommendation 14.

The Committee recommends that:

The Minister should review the Welsh Government's guidance on planning permission for heat pumps with a view to relaxing the requirement that no part of the heat pump can be installed within three metres of a property's boundary, in line with England.

Response: Accept

Air source heat pumps can be installed within 3 metres of a boundary but planning permission is required to do so. We are aware that the time and cost of applying for planning permission dissuades some homeowners and installers from pursuing heat pumps. The existence of permitted development rights (PDRs) is therefore important to encouraging uptake of this technology.

The main planning impacts of air source heat pumps are noise and visual impacts. PDRs mean a planning application is not needed as a national permission has already been granted. When granting such rights, careful consideration needs to be given to avoiding unacceptable planning impacts such as noise and this was achieved by a 3 metre buffer from neighbouring properties.

For some properties, particularly those in terraced streets, the 3 metre buffer prevents the use of PDRs. We are committed to reviewing PDRs for air source heat pumps but to do so we need to better understand the noise impacts of reducing the 3 metre buffer. As a first step we are undertaking research, "Air-Source Heat Pump Noise and Permitted Development Rights In Wales". This Welsh Government project will provide a contribution to a wider study of noise from air source heat pumps being undertaken by the UK Government. The conclusions of this work will be used when a comprehensive review of the PDR is undertaken.

Recommendation 15.

The Committee recommends that:

The Minister should clarify the Welsh Government's position on the use of regulatory standards to increase retrofit activity in the privately-owned sector, including whether it supports the UK Government's proposal to increase MEES in the private rented sector.

Response: Accept in principle

In principle improving the energy efficiency of private property is to be supported as it will help tenants and homeowners reduce large utility bills and help contribute towards our wider objectives around Climate Change.

As set out in evidence to the Committee, regulating for Minimum Energy Efficiency Standards (MEES) is not devolved, and whilst the UK Government has consulted on proposals to increase MEES to EPC C for Private Rented Property by 2025 (for new lets) and 2027 (for in-tenancy properties) they still have not yet formally confirmed that this is being introduced, nor have they provided any detail around any support or exemptions that may apply to assist retrofit activity.

Introduction of a new MEES for private rented property, and subsequently owner occupied property, is supported in principle provided that sufficient financial support (e.g. grants and interest free loans) is also provided by UK Government to assist with meeting the costs of improvements in order to ensure that those most in need are supported and appropriate retrofit measures are actually installed. There needs to be sufficient time allowed in any regulations to allow for retrofit works to be undertaken, and therefore introducing a requirement to meet EPC C within the next 3 to 5 years may not be achievable. In addition, financial resource would be required from the UK Government for local authorities to ensure effective enforcement.

At present the MEES requirement for Private Rented property is EPC E, unless a valid exemption is in place (for example, a listed building or retrofit costs are prohibitively expensive). Data held by Rent Smart Wales (see table below) shows that currently 65.6% of private rented properties in Wales are currently EPC D or below. In addition, 70% of registered landlords in Wales only own one property, which accounts for one-third of registered rental properties, which could make retrofit works to reach a new requirement of EPC C more expensive as there would be no economies of scale around procuring works or products on an individual basis.

EPC Rating	Properties	%
A (92+)	84	0.0%
B (81-91)	8262	4.7%
C (69-80)	51797	29.6%
D (55-68)	78801	45.1%
E (39-54)	31700	18.1%
F (21-38)	3029	1.7%
G (1-20)	1245	0.7%

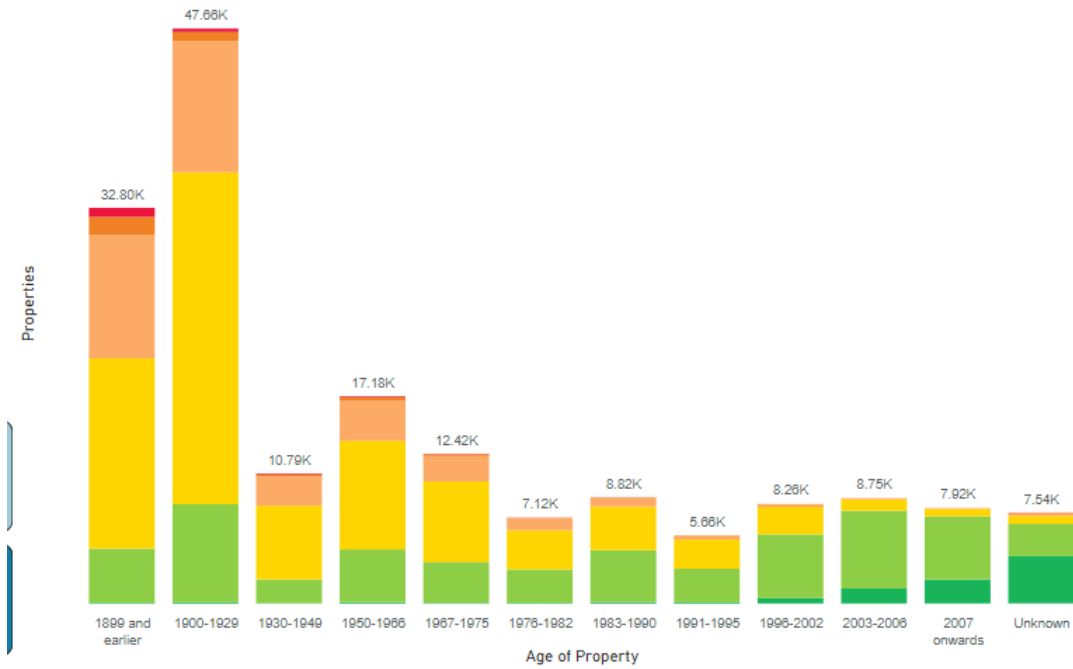
The high percentage of low scoring EPC properties can be partly explained by looking at data on the age profile of rental properties. The table below identifies that the majority of rental properties in Wales pre-date 1929 and are therefore less likely to have cavity walls or damp proof courses. Therefore, the costs to improve the EPC scores of the majority of rental properties up to EPC C is likely to be prohibitively expensive, unless financial support is also being provided by UK Government to assist with their regulatory change, if it is introduced.

In the absence of financial support Landlords facing large bills may choose either to try and pass costs onto tenants over time through rent increases, or invest in the cheapest interventions to get the EPC points up to a C, which may not be appropriate for the building type. For example, installing insulation which makes damp or mould worse as the building cannot breathe, or installing an air source heat pump without adequately improving the thermal efficiency of windows, doors or the loft, which could actually see tenants' energy costs increasing. In some instances landlords may seek to sell properties before the new regulations come into force, which could result in fewer properties being available to rent in particular areas.

Age of Properties with an Energy Performance Certificate

Properties by Age and Current Energy Rating

Current Energy Rating ● A ● B ● C ● D ● E ● F ● G



Financial Implications:

If UK Government introduces a requirement to meet EPC C and does not provide financial support there could be a need to look at funding grants and/or loans to support improvements. It is difficult to identify potential costs at this time, however if the cost of adaptation was between £7,000 and £10,000 per property, and 33% of properties are owned by single landlords (and 65% of these are below EPC C) then potential funding required could range between £313m and £448m.

Recommendation 16.

The Committee recommends that:

The Minister should:

- explain when and how the Leasing Scheme Wales will be scaled up to support the Welsh Government's wider decarbonisation ambitions; and
- provide details of the level of investment that will be made available for the Scheme's delivery over the next three years.

Response: Accept

The objective of Leasing Scheme Wales (LSW) is to secure 1% of the PRS stock across those local authorities who have signed up to LSW by 2027. The targets for Year 1 have been deliberately set at a lower level to allow time for local authorities to develop resources and internal processes to bring properties onto the scheme. It is expected that from Year 2 significantly greater numbers of properties will be secured onto LSW to meet the 2027 target of over 1,500 properties. If all Local Authorities sign up to LSW then the target would be over 2,000 properties.

We have committed £30m of funding for Leasing Scheme Wales, and over the next 3 years over £17.2m will be made available as part of the core LSW programme. In addition, properties coming onto the scheme will also be able to benefit from an additional grant of up to £5,000 under the Optimised Retrofit Programme to improve energy efficiency towards an EPC C rating, where a grant under LSW to improve the condition of the building has also been made.

Financial Implications:

The costs for Leasing Scheme Wales and Optimised Retrofit Programme are already factored into the Housing and Regeneration Directorate budget.

Recommendation 17.

The Committee recommends that:

The Welsh Government must demonstrate leadership and proactively engage UK Government at the highest level to ensure Welsh local authorities' resource needs in relation to MEES compliance and enforcement are fully understood and met. (Page

Response: Accept

The Minister for Climate Change and officials will continue to engage and seek to influence the UK Government to ensure that adequate resources will be provided in relation to MEES compliance and enforcement.

As stated in evidence, requests have been made to speak with the UK Government at Ministerial/Secretary of State level. We are awaiting a response.

Financial Implications:

Any costs associated with engaging with UK Government will be met from existing budgets.

Recommendation 18.

The Committee recommends that:

The Minister, in conjunction with Rent Smart Wales and local authorities, should review arrangements for ensuring MEES compliance and enforcement with a view to identifying potential areas for improvement. The review should cover, as a minimum:

- Rent Smart Wales' role in raising awareness of MEES among landlords and in identifying underperforming properties, and
- how information on underperforming properties is shared between organisations to ensure targeted support and/or compliance and enforcement action.

Response: Accept in principle

As the licencing authority Rent Smart Wales already holds and has published data on the EPC ratings of rental properties in Wales, broken down by local authority area. [Rent Smart Wales Energy Performance Dashboard - Rent Smart Wales \(gov.wales\)](https://gov.wales/rent-smart-wales-energy-performance-dashboard)

Under the requirements of s.6 of the Energy Performance of Buildings (England and Wales) Regulations 2012 landlords are required to provide a copy of the Energy Performance Certificate to tenants on the commencement of a tenancy. Rent Smart Wales works with local authorities to forward on reports of non-compliance for further investigation where complaints have been received.

Since 2020 where a landlord is re-registering a property then they need to confirm the RSW that they hold an EPC certificate that meets MEES or hold a valid exemption.

Rent Smart Wales is investigating their database for those properties that either do not show an EPC certificate or are below an EPC E rating and will be sharing this information with the relevant local authorities for targeted action.

Financial Implications:

None – costs associated with RSW undertaking monitoring and enforcement action is covered through the licencing and registration fees paid by landlords and agents.

Recommendation 19.

The Committee recommends that:

The Minister should explain why a Welsh housing survey was not undertaken in 2022. She should commit to undertaking a continuous national survey, akin to the English Housing Survey, with the first survey to be undertaken as soon as practicable. If the Minister is unwilling to commit to such a survey, she should provide a detailed explanation of why.

Response: Accept

A sound evidence base and a full understanding of the nature of the housing market and households in Wales is fundamental to our approach to policy development. The last Welsh Housing Conditions Survey undertaken in 2017, for example, has informed the development of proposals for updates to the standard for social homes, the Welsh Housing Quality Standard (WHQS2023), our Optimised Retrofit Programme and provided the basis for work to assess levels of fuel poverty in Wales. Understanding the Welsh housing stock is essential if we are to achieve our ambitions set out in the Net Zero Wales Action Plan and achieve a just transition to lower carbon heating in the coming years.

I agree continuous and periodic publication of a Welsh Housing Survey is needed. Options for a Welsh Housing Survey are being developed. Improved access to administrative data to build our Housing Stock Analytical Resource and other survey resources could provide much of the data needed, in conjunction with periodic housing surveys. Given current budgetary pressures, the costs associated with preparation and publication of a Welsh Housing Survey will need to be carefully considered.

Financial Implications:

The potential options and costs for delivering a Welsh Housing Survey will be identified as part of the business case to determine the most appropriate approach.

Recommendation 20.

The Committee recommends that:

The Minister should clarify whether and how the Welsh Government intends to improve understanding of energy consumption and carbon emissions in the privately-owned sector without access to smart metre data.

Response: Accept

Welsh Government has robust monitoring data which is equivalent to or better than data collected by a smart meter. Monitoring information being generated from both the Innovative Housing Programme (IHP) and the Optimised Retrofit Programme (ORP) monitoring sensors are gathering data on energy consumption, generation and storage via Intelligence Energy System and environment sensors in grant funded homes.

TrustMark have been contracted to undertake the data analysis of both grant funded programmes. The ORP data at this stage is limited to social landlords' data, However, the IHP data will include information on owner occupied homes and is securing environmental and smart meter data from that tenure group.

The energy consumption and carbon emissions in privately owned homes and those of social tenants generally differ very little. For instance, a retired owner occupier and a retired social housing tenant will occupy and heat the home in much the same way. Similarly, a full-time key worker in an owner occupied home and a key worker in social housing will also have similar energy demands.

The programmes are not just interested in monitoring and understanding energy consumption patterns, but in securing tenant feedback on what technologies work best for their lifestyle needs and which decarbonisation interventions and build types perform best or are easiest for tenants to live with.

Research undertaken by Cardiff University will soon be published, the research report is entitled, "Living Well in Low Carbon Homes" and will form part of the research reports available from the Net Zero Carbon Performance Hwb when the website goes live. The report will include findings from owner occupied homes.

Recommendation 21.

The Committee recommends that:

The Minister should provide details on her latest discussions with the UK Government on gaining access to smart metre data. She should commit to continuing to press the UK Government on this issue until a resolution can be reached.

Response: Accept

The Optimised Retrofit Programme has contracted TrustMark to undertake the data analysis of the homes funded in the programme. Data comes from environmental sensors, Intelligence Energy Systems and Smart Meters (SMETS2), the latter data is held by Data Communication Company and this forms part of an ongoing conversation on behalf of Welsh Government between TrustMark and the Department for Energy Security and Net Zero.

Financial Implications – Any additional costs will be drawn from existing programme budgets.

Recommendation 22.

The Committee recommends that:

The Minister should commit to implementing the recommendation made in the Jofeh Report in relation to Home Log Books/Building Renovation Passports (BRPs). In doing so, she should explore the evidence received by this Committee that, working with the private sector, BRPs could be made available to homeowners at no cost.

Response: Accept in principle

While I can appreciate the intrinsic value of every home in Wales being surveyed and holding a Building Renovation Passport the reality of taking such an approach forward is not a simple matter.

For example, Welsh Government do not currently hold a power to mandate all homes have a passport, and the process of securing such a mandate would take time. The cost of undertaking those surveys on every home would also be significant, and there is also the matter of sufficiency of surveyors to undertake this work. Currently we are growing the skills and workforce needed and working closely with TrustMark in this area.

For the Welsh Housing Quality Standard 2023 we will require social housing providers to undertake a whole stock assessment which sets out the current rating for affordable warmth and carbon emissions across their whole stock and further requires a target energy pathway for each home. This approach is being supported and reinforced by the requirements of the Optimised Retrofit Programme phase 3 and is an approach we will expect to be replicated across all tenures that we support in future.

There are good examples of BRP's which were developed by the Optimised Retrofit Programme being used by social landlords to help plan future works, but the process is still being trailed. As further rounds of Optimised Retrofit Programme rolls out the requirement to produce a 'Building Passport' for each funded home will be maintained.

We will use the lesson learnt from the Optimised Retrofit Programme to ensure that best practice is utilised in the private sector as well. Therefore, if Building Renovation Passport assist with the pace of decarbonisation of owner occupied housing, then we will explore that in future.

Financial Implications – None at this stage - any additional costs identified would have to be drawn from existing programme budgets.

Recommendation 23.

The Committee recommends that:

The Minister should explain whether and how the Welsh Government's strategy for engaging the general public in action on climate change will deliver direct action to raise public awareness of the need to reduce the climate impact of Wales' homes.

Response: Accept

Following a Consultation exercise undertaken in late 2022, the new Strategy for engaging people in action on climate change will be published this Summer. The objectives will be to build knowledge, intention and encourage action on climate change by everyone in Wales, with Government communications and policy support focussed on helping to overcome barriers to action.

The aim of the initial communications will be to cement green behaviours in areas where research shows people are willing and able to take action, and use 'warm-up' communications to prepare households for the more difficult mid-to-high impact actions ahead. Built around a central narrative highlighting the benefits that these changes will bring to the way we all live our lives, communications will be structured under 4 key themes including Green Home Energy choices (including demand reduction behaviours and home upgrade choices), Green Transport choices, Green Food choices and Green Consumption choices. The national campaign and website will also launch this Summer.

Financial Implications – The costs will be drawn from the existing climate public engagement programme budget.

Recommendation 24.

The Committee recommends that:

The Minister should ensure that the Housing Net Zero Carbon performance Hwb is available to all tenures as soon as it is established.

Response: Accept in principle

The Net Zero Carbon Performance Hwb will accelerate the delivery of low and zero carbon homes in Wales by becoming a dependable and trusted source of best practice, providing direction, consistency, and a greater sense of purpose for developers and social landlords alike.

The original specification for the Net Zero Carbon Performance Hwb was determined ahead of this committee recommendations and the tender process for appointing a delivery partner began in Summer 2022.

The Net Zero Carbon Performance Hwb has an agreed budget allocation for the first three years and therefore any additional asks of the Hwb will require additional funds to meet those additional requirements.

My officials will work the Net Zero Carbon Performance Hwb steering group and the delivery partner to ensure that the Hwb and its associated website is available and provides insight and advice to all tenures as soon as is practically possible.

Financial Implications – Any additional costs will be drawn from existing programme budgets.

Recommendation 25.

The Committee recommends that:

The Minister should explain how she intends to raise awareness of the Housing Net Zero Carbon performance Hwb among stakeholders and property owners with a view to ensuring they can take full advantage of the advice and support services on offer.

Response: Accept

The Net Zero Carbon Performance Hwb launched in early April. A schedule of awareness sessions at various stakeholder events have been organised by Welsh Government and Welsh Social Landlords to raise awareness of the deliverables of the Hwb in the first six to 12 months of its operation.

The Hwb will aim to become the centre for excellence to drive forward decarbonisation of new and existing homes, focussing initially on publicly funded homes as per its original specification.

The Hwb will share knowledge and best practice from the Innovative Housing Programme and the Optimised Retrofit Programme around what technologies have performed best across different tenure groups and household types. An A to Z of renewable product database is expected to launch in Spring 2024.

The Hwb will also have a remit to raise awareness of best practice from across the UK and other net zero hubs internationally to increase the scale and pace of decarbonisation work here in Wales.

The Hwb has funding to organise and host training and events quarterly to ensure that landlords, contractors, and supply chain are aware of the latest renewable technologies and bring manufacturers of those technologies to events to upskill the sector.

Welsh Government will also periodically raise awareness of the Hwb via its range of social media channels when new services and milestones for the Hwb are reached.

Financial Implications – Any additional costs will be drawn from existing programme budgets.

Recommendation 26.

The Committee recommends that:

The Welsh Government must publish its Net Zero Skills Action Plan no later than March 2023. If it is not in a position to do so, we expect the Welsh Government to explain the reason in responding to this report.

Response: Accept

The Minister for Economy published the Net Zero Skills Action Plan on 28th February 2023. The Plan can be found [Net zero skills Wales | GOV.WALES](#).

Recommendation 27.

The Committee recommends that:

The Minister, working with the Minister for Finance and Local Government, should assess the feasibility of using Council Tax and Land Transaction Tax to incentivise energy efficiency retrofit as a priority. The Minister must report back to this Committee on progress no later than six months after the publication of this report and every six months thereafter until this work is completed. (Page 57)

Response: Accept in principle

Council Tax

The report notes the substantial programme of reform currently in train to deliver a fairer and more progressive system, a government commitment which is also reflected in The Cooperation Agreement. The Minister for Finance and Local Government has set out the plans in a Phase 1 [Consultation](#) and will consult in more detail in Phase 2 later this year. The agreed aims are for a reformed system which:

- Has a less regressive tax burden on households;
- Has in-built regular updates to keep the tax fair in the future, using modern data-driven technology;
- Continues to fund vital services that benefit everyone, but helps those in need;
- Is more transparent for taxpayers to interact with; and
- Remains a tax that connects people with local communities.

The ambition for the short to medium-term is focussed on designing a reformed and updated system of bands and tax-rates, a review of discounts and exemptions and a review of the Council Tax Reduction Scheme, as well as a range of other technological and administrative improvements. The Phase 1 consultation proposed delivery of some of these reforms in April 2025. Delivering this programme is a significant undertaking, however, the evidence and experts agree it is one of the most beneficial actions the Welsh Government can take to reduce wealth inequalities.

The immediate primary focus for council tax is therefore to create a more progressive system. Preliminary considerations suggest the types of homes where it is most challenging to achieve EPC A ratings, or homes which would need the most modification, are more likely to be in the lower council tax bands and could be more likely to be occupied by lower-income households. These considerations would work in contrast to the primary focus for council tax reform which is to reduce wealth inequalities. It is also unclear from the research to date whether future legislative and potentially permanent tax changes would be preferable to other types of more direct, flexible and short-term financial levers or incentives. However, there is also a longer-term ambition within the council tax reform programme to continue exploring alternative approaches to raising local tax revenues in the future, including other tax designs and ideas such as a local land value tax.

Land Transaction Tax (LTT)

Approximately 4% of homes in Wales are transacted on average each year. The threshold for paying land transaction tax on residential properties is currently £225,000 which means that around 60% of property transactions (unless liable to the higher residential rates) are not liable to pay any tax. The percentage of homes transacted each year for owner occupation and incur a tax liability is therefore around 1.6% of the Welsh housing stock. The tax is charged on marginal rates, hence those transactions worth just over £225,000 will pay little tax, therefore any tax incentive to undertake retrofitting may be minimal. A residential property costing around £400,000 is where the top 10% of homes by value starts (and a home costing £500,000 is within the top 3% of homes by price). LTT of £10,500 is currently charged on a property costing £400,000.

The majority of homes that are most likely to require modification, and where that modification will represent a high cost compared to the value of the home, are most likely to fall below the threshold to be liable for LTT. Any incentives provided through a relief will most likely provide greatest incentive and benefit to those buying expensive properties. Any changes to LTT to charge 'penal' rates for low energy efficiency homes may result, for those unable to pay for the necessary improvements, in the owner being unable to sell their homes. It is therefore necessary to consider how to ensure the LTT regime is used in a progressive way to achieve policy outcomes.

Land transaction tax is primarily a revenue raising tax raising in the 2022-23 year to date (February 2023), £270 million. Its ability to change behaviours is limited. Reducing that revenue could have implications for the Welsh Government's budget. Hence it would be important to consider this lever alongside other more direct financial levers or incentives.

Recommendation 28.

The Committee recommends that:

The Minister should accelerate work to develop proposals for the following financial solutions for the 'able to pay' sector: PACE/PLF; zero/low interest loans; and equity release loans. She should report back to this Committee on progress no later than six months after the publication of this report and every six months thereafter until this work is completed.

Response: Accept

The Development Bank of Wales has been working to understand the market need and delivery requirements for a support solution to increase the retrofit activity of owner-occupied homes in Wales for the 'able to pay' sector.

It is proposed that a pilot scheme is launched in 2023-24 which will be used to 'test and learn' in the market and focus in on the area's where the funding is likely to have the greatest impact.

A critical part of shaping the solution has been the work undertaken with Nesta. This has involved a number of phases from initial polling of 1,000 homeowners, a gathering of real world scheme examples, interviews with 'able to pay' sector owner occupiers as well as a behavioural insights trial of c. 8,000 homeowners across the UK looking at how people interact to different potential offers.

DBW is now consolidating the research and findings into a pilot proposal. This is likely to include mechanisms such as low/no interest long term lending supported by minimum levels of grant for certain activities, creating a hybrid funding offer.

Financial Implications – Any additional costs will be drawn from existing programme budgets.

Recommendation 29.

The Committee recommends that:

The Minister should provide further details of the “hybrid funding offer” arising from the work of the Development Bank of Wales and Nesta.

This should include a target date for roll out across the sector.

Response: Accept

Welsh Government have been working with the Development Bank for Wales (DBW) to explore how two existing property funds for SME house builders – the Wales Property Development Fund (WPDF) and Wales Stalled Sites Fund (WSSF) - could be flexed to support the climate change agenda. The Green Homes Incentive will provide a pilot programme that offers developers tapered reductions in loan costs based on the extent of the energy efficiency and low carbon measures they incorporate into their housing developments.

The Green Homes Incentive will work on the basis of providing reductions in loan fees dependent on the extent of lower carbon options incorporated into schemes. Applicants will have to satisfy all the usual criteria for the WPDF & WSSF schemes, however where SME developers through these schemes include energy efficient and lower carbon options in one or more of the 3 categories in their new housing developments, they may be eligible for fee reductions. The Green Homes Incentive will use existing funds from the WPDF and WSSF and the related deals would need to qualify for WPDF/WSSF support regardless of this incentive.

It is vital all housing developers, large and small, play a key role in this journey and become part of the solution through relevant procurement processes and initiatives such as Green Homes Incentive.

The Development Bank of Wales has been working to understand the market need and delivery requirements for a support solution to increase the retrofit activity of owner-occupied homes in Wales. To develop a product that has the best chance of market traction and scalability DBW has been researching and collaborating in the following ways:

- Reviewing previous successful and unsuccessful schemes for key learnings- including engagement with counterparts in Northern Ireland, Germany and Scotland.
- Continued engagement with WG both in terms of understanding future plans for Nest/Arbed and with the ongoing work of the ORP team and their delivery learnings. In addition, DBW is a member of the WG Decarbonisation Implementation Group which provides further insights and expertise for the product development.
- Collaboration with Nesta to undertake research into the attitudes and needs of homeowners in regard to green home improvements.

A key learning from the initial development work was the ongoing pace of change in this space, both from a policy perspective and from a technology perspective which can be a deterrent to product requirement decision making. Any offer launched by

DBW needs to be adaptable to these dynamics to allow things to get going more immediately, recognising the urgency in this area. It is proposed that a pilot scheme is launched in 2023-24 which will be used to 'test and learn' in the market and focus in on the area's where the funding is likely to have the greatest impact.

A critical part of shaping the solution has been the work undertaken with Nesta. This has involved a number of phases from initial polling of 1,000 homeowners, a gathering of real world scheme examples, interviews with 'able to pay' sector owner occupiers as well as a behavioural insights trial of c. 8,000 homeowners across the UK looking at how people interact to different potential offers.

DBW is now consolidating the research and findings into a pilot proposal. This is likely to include mechanisms such as low/no interest long term lending supported by minimum levels of grant for certain activities, creating a hybrid funding offer.

Financial Implications – Any additional costs will be drawn from existing programme budgets.