



## **In-depth Briefings**

# **Better Homes, Better Wales, Better World**

**Statement by the Minister for  
Housing and Local Government  
Julie James AM**

25<sup>th</sup> September 2019

### **Background**

Climate change has become an increasingly urgent priority for both politicians and the public across the world, and the Welsh Government were one of the first to declare a climate emergency in April 2019. The Environment (Wales) Act 2016 set a target of reducing carbon emissions by at least 80% from their pre-1990 levels by 2050; this was superseded in June 2019 by the Welsh Government's decision to adopt the upgraded reduction target of 95% recommended by the UK Committee on Climate Change (UKCCC) and set out an ambition to achieve net zero carbon by 2050.



CHC's 2017 Housing Horizons vision imagined a Wales where good housing is a basic right for all, and housing associations (HAs) share Welsh Government's ambition to decarbonise homes. The quality of social housing has been significantly improved during the current Welsh Housing Quality Standard (WHQS) programme, which is due to conclude in December 2020.

The principal recommendation from the [Better Homes, Better Wales, Better World report](#) was that the Welsh Government should commit to a 30 year decarbonisation programme of the housing stock in Wales, with fuel poor households and social housing meeting accelerated targets. This will require a transformation in the way that we plan for and fund the homes we build and refurbish.

On the 24<sup>th</sup> September 2019, Housing and Local Government Minister Julie James AM made a statement in response to the recommendations from the report. The following briefing outlines the Welsh Government's position on the report by the 'Decarbonisation of Homes in Wales Advisory Group'.

## The Advisory Group & Engagement with HAs

The Decarbonisation of Homes in Wales Advisory Group was established in Spring 2018 and chaired by Christopher Jofeh of Arup. The group was charged with making recommendations to the Welsh Government on how best to deliver a long-term programme of housing improvements in order to meet the decarbonisation targets.

The Advisory Group's work was informed by [research](#) conducted by the Welsh School of Architecture (WSA) at Cardiff University. Welsh Government commissioned the WSA to review the effectiveness of known decarbonisation measures, as well as to examine how the existing Welsh housing stock and the energy grids could inform the development of a pathway to decarbonisation (taking into account both capital and energy costs).

During the 15 months that this independent Advisory Group developed its recommendations to Ministers, CHC and its member HAs contributed to the main Group as well as sub-groups exploring technical, infrastructure, governance, community benefits, customer confidence and financial issues. HAs also had the opportunity to engage and contribute through a series of CHC workshops, webinars and discussions at Strategic Delivery Groups. Finally, on the day of the Better Homes, Better Wales, Better World report launch, CHC held their first Low Carbon Conference. Delegates heard from Housing and Local Government Minister Julie James AM, as well as Advisory Group Chair Chris Jofeh and WSA's Dr Ed Green.



## Response to the recommendations

Better Homes, Better Wales, Better World makes seven recommendations and a number of accompanying actions. The report addresses all Wales' housing stock, in all tenures.

Julie James AM has stated that despite all the risks and uncertainties, she has decided to accept **all the recommendations in the report in principle**. Although in agreement with the recommendations, she explained the continued uncertainty about the best way to achieve or implement them and the further work required inside and outside government to be sure about their cost implications.

The Minister has emphasised the major opportunities associated with energy retrofitting homes, including; significantly reducing Wales' carbon emissions, tackling fuel poverty, improving comfort and quality in homes and job creation. It was announced that she will be establishing a Green Finance Group as recommended in the report to look for innovative finance solutions, as well as building a skilled work force to take advantage of these opportunities.

The full Ministerial statement can be found [here](#).

We summarise here the points in the report that impact HAs and the Minister's response to them. A list of these key recommendations can be found on the final pages of this briefing.

### **Commitment**

The very first recommendation in Better Homes, Better Wales, Better World proposes that Welsh Government commit to a 30 year decarbonisation programme and stick to it. Commitment and certainty are at the heart of this agenda. The review calls for a consistent policy direction, with cross-party support, in order to give confidence to manufacturers, suppliers, funders, insurers and homeowners.

The report proposes that by 2025 all new homes - and by 2021 all homes developed with public sector funding - should be built to zero carbon and heightened efficiency standards (Action 1.3), thereby avoiding the need for future retrofitting. This reflects recommendations in the Independent Review of Affordable Housing Supply.



The Minister is anticipating a response from other political parties in the need for a commitment to support the 30 year decarbonisation programme.

## **Ambition**

The report recommends a very ambitious retrofit target of EPC A (SAP 90+) by 2050 for all housing stock, with social housing and homes in fuel poverty prioritised over the next 10 years. The report sets out that these targets are necessary to meet Wales' legislative obligations and prevent the worst consequences of climate change.

Affordable, comfortable homes are a key driver of this agenda, not least because of the Welsh Government's obligation to avoid unintended consequences under the Well-being of Future Generations Act.

The ambition in the report is to be welcomed. As the report recognises, achieving them will require a transformation in the funding and support made available for new homes and existing stock. Our consultation with members also highlighted that HAs will need clarity and certainty – as well as the freedom to pursue collaborative and creative opportunities – if they are to achieve these targets around new build and the retrofit of homes.

The Minister has stressed the need to pursue 'optimised retrofit' solutions for homes that cannot currently get to EPC Band A. This will use existing solutions to reduce energy demand and emissions on as many homes as possible, limiting unnecessary costs. The aim is to future proof homes so they are zero carbon capable, ready to adopt future solutions and approaches when viable and safe to do so.

## **Support & Delivery**

Wales' housing sector faces a significant challenge when it comes to decarbonisation, and the report is realistic in its acknowledgement of the scale of the work required. Wales has a great deal of 'hard to treat' stock, and residential buildings account for 7.5% of Wales' total emissions.<sup>1</sup>

Action 4.1 refers to the urgent need to undertake detailed modelling of the costs of decarbonisation, especially in regards to the 10 year targets applying to social housing and homes in fuel poverty. This detailed modelling is

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<sup>1</sup><https://gov.wales/sites/default/files/publications/2019-06/building-sector-emission-pathway-factsheet.pdf>



essential, as the recommended targets and timeframes in Better Homes, Better Wales, Better World are based on initial cost estimate; the WSA research indicates that £0.5bn – £1bn per year will be needed for next 10 years to decarbonise Wales' existing stock.

We also welcome the explicit and clear recognition of the need for comprehensive guidance and support for social landlords. While the sector has achieved a great deal under the current WHQS, we do not underestimate the essential role played by clear and easily interpreted standards.

Action 3.5 refers to HAs having the opportunity to extend their retrofit activities to other stock and sector, and we note that it will be for each HA to decide whether or not to pursue it.

The report endorses the recently published Affordable Housing Review by reiterating its support for the continuation of dowry funding for LSVTs on the basis that they deliver against the stretching targets set for social housing set out in the report. The report also indicates that long term financial support should be made available to traditional associations to meet the ambitions within the report.

Welsh Government must take urgent steps to establish the costs associated with meeting the proposed 10-year social housing targets, and confirm the funding and support package that will be in place for LSVTs and traditional HAs. CHC will be engaging with Welsh Government to discuss next steps and the implications for resource, capacity, skills and supply chains, as well as how we as a sector can demonstrate value for money.

## **Monitoring & Evaluation**

Monitoring and data collection is essential to measure progress and give confidence to all involved. Uncertainty remains around the long-term effectiveness and costs of some measures, so it is vital that data is clear, reliable and accessible. We welcome the recommendation around innovative measures, and hope that solutions are identified that can be applied at scale and pace.

## **Collaboration**

This agenda offers many opportunities for the sector to collaborate with each other, with local authorities and with other partnerships. For example,



collaboration in procurement could help simplify supply chains as they mature, and make the most of human resources where there are skills gaps.

## Our Response

A 30 year commitment to reduce the carbon emissions from all housing in Wales is a bold and welcome recommendation from this review.

As the report recognises, this will not be easy. Meeting this challenge will require huge levels of government investment and a transformation in the way we build and refurbish homes.

CHC Chief Executive Stuart Ropke said, *"As the climate crisis once again takes centre stage this week, we welcome the minister's commitment to reduce carbon emissions from all housing in Wales over the next 30 years. Achieving our carbon reduction targets and transforming the way we build homes will require huge levels of government investment. We look forward to working with Welsh Government and key partners to meet the huge challenges that we all face to build greener communities in Wales."*

As part of our vision of a Wales where good housing is a basic right for all, HAs have committed to building greener communities. We look forward to working with Welsh Government and key partners to achieve this.

## Next Steps

We anticipate a number of Task & Finish Groups examining aspects such as the detailed cost modelling and a financial mechanism for traditional HA; CHC and its members will have further opportunities for engagement in this process.

We note that this agenda sits in a wider context. Building Regulations Part L (Conservation of Fuel and Power) is currently under review, we expect consultation on DQR later this year and Welsh Government is now developing a strategy around Modern Methods of Construction. HAs are ready to rise to this challenge, but will need long-term certainty around crucial areas like standards, dowry and rent settlements in order to do so.

## Key Recommendations & Actions



1. Political parties in Wales must make a strategic commitment to national residential decarbonisation and stick to it
  - i. The Welsh Government must publicly commit now to pursuing a 30-year residential decarbonisation programme
  - ii. All political parties at the national and local level should make a clear commitment to supporting the achievement of the targets in Recommendation 2
  - iii. No later than 2025, all new homes in Wales must be built to be low-carbon, energy and water efficient and climate resilient. Independent checks must be made to ensure these higher standards are delivered. This will prevent the challenge to retrofit homes becoming larger and more expensive. All homes built with public sector funding should meet this target no later than 2021.
  - iv. The Welsh Government should urgently start developing the recommendations and actions in this report into an ambitious programme of action which is ready for implementation in 2021. This must be underpinned by behaviour change principles and a communications plan reflecting them
  
2. The Welsh Government must set ambitious housing targets to meet its ambition of achieving net zero carbon by 2050.
  - i. By 2050 the housing stock must be retrofitted to beyond SAP90 - to achieve an EPC Band A rating, recognising that not all homes will be able to achieve this.
  - ii. Lobby the UK government to support and encourage the further decarbonisation of the energy supply grids because Wales will not achieve the carbon reduction target without it.
  - iii. The Welsh Government should urgently commence a 10-year programme to prioritise the retrofit of certain homes.
    - a. The Welsh Government should set a target of EPC Band A for homes in social ownership and homes in fuel poverty.
    - b. The Welsh Government should incentivise early adopters to retrofit homes to a target of EPC Band A.
  
3. The Welsh Government must put in place the right support and delivery mechanisms across all tenures to help achieve the targets.
  - i. The Welsh Government should fund the creation of and publicly promote a 'Home LogBook' for every home to guide energy efficiency decisions and investments.



- ii. The Welsh Government should work with others to create and fund an independent quality assurance regime that is appropriate for single homes as well as multi-property projects.
  - iii. Ensure the new quality regime is appropriate and accessible to SMEs in Wales as well as larger firms and that all have access to the skills and training they need to take advantage of a 30 year retrofit programme.
  - iv. Encourage and support businesses in Wales to deliver projects that will result in the best community benefits.
  - v. Encourage and support social landlords to extend their residential upgrade activities beyond their own portfolios to help deliver improvements to homes owned by their occupiers and by private sector landlords.
- 4. The Welsh Government, working with others, must develop a holistic package of support across all tenures to incentivise and facilitate action.
  - i. The Welsh Government must urgently undertake detailed modelling of the costs associated with the targets set out in Recommendation 2. This will inform priority early action according to tenure, archetype and geography and specifically to verify the 10-year targets.
  - ii. Continue the WHQS for social landlords and the £108m per year funding associated with it, on the basis that they deliver against the stretching targets set out in Recommendation 2
  - iii. Provide guidance and support to social landlords to enable them to meet the challenging new targets in Recommendation 2
  - iv. Find a financial solution for traditional RSLs who do not currently receive WHQS resources to enable them to meet the stretching targets described in Recommendation 2
  - v. Ensure existing public sector funding programmes that support the improvement of homes are amended to align with the outcomes and targets recommended in this report
- 5. The Welsh Government should collect data about the status and condition of the housing stock to inform future decisions and measure progress towards targets
  - i. All relevant information, including energy consumption data from before and after retrofit activities, should be used to inform the measurement of progress, policy development and investment. The data collection process will need to inform the Low Carbon Delivery Plan.



6. The Welsh Government must continue to monitor and test new solutions to decarbonise homes
  - ii. Establish a fund of at least £100 million to continue until 2030 to pay for the development of small and large-scale testing of innovative solutions - not limited to technical solutions - that will help to decarbonise Welsh homes. The Welsh Government's successful Innovative Housing Programme (IHP) provides a model for this.
  
7. The Welsh Government and its partners must make maximum use of communities, networks, associations and Third Sector organisations in helping to decarbonise homes
  - i. Encourage and support community involvement in the development and delivery of a new programme.