Pwyllgor Newid Hinsawdd, yr Amgylchedd a Seilwaith /
Climate Change, Environment and Infrastructure Committee
Datgarboneiddio tai / Decarbonisation of housing
DH05_A
Ymateb ychwanegol gan Grŵp Pobl / Additional evidence from Pobl Group

Follow up questions from the Climate and Infrastructure committee

1. To what extent is it feasible for all social housing achieving EPC A or equivalent by 2030?
It will be best if this question is answered in two distinct parts.

Achieving EPC A. The good news is that it is *technically* feasible for a high percentage of our social housing to be retrofitted to achieve EPC A or equivalent; but for some homes it would not be the best use of limited resources. Unfortunately, for certain property types, due to construction details it will be disproportionately expensive undertaking the final elements of work to achieve what is often a minimal EPC gain. An example of this would be an uninsulated existing ground bearing concrete floor in an older home. Its construction would typically be 100mm of hardcore, 25mm sand, damp proof membrane, 100mm of concrete oversite slab with 50mm sand cement screed. All this would need to be broken out, removed as waste, a further excavation of about 100mm made to accommodate essentially the same construction as previously plus 100mm of rigid insulation below the concrete slab. Perimeter edge insulation would also be used against the walls. We would also need to take out the kitchen units and any ground floor bathroom/WC etc to facilitate the works plus a decant of tenants if the home is occupied. It is generally accepted that about 10% of a home's heat loss is through the floor, so spending several thousand pounds to reduce the heat loss by perhaps 80% takes a budget that could have been used to much greater effect on other carbon reducing measures to other homes or indeed some carbon offsetting.

The whole matter of cost benefit comes into sharp relief when dealing with many hundreds of older solid walled homes. So even if a technical solution exists; it is often better to spend this money on providing new energy efficient homes as there is only so much debt an RSL can take onto the balance sheet. In such cases we would advocate achieving the best EPC level that can reasonably be delivered for a sensible per property budget that represents value for money, perhaps achieving EPC B or in very challenging situations, a high EPC C. The remaining carbon emissions would be offset by over improving newer homes to SAP 100+ or tree planting etc. For this reason, we would not wish to see an overly prescriptive WHQS 2 Standard; but would appeal to Welsh Government to trust RSLs to manage the decarbonisation of our total portfolio by choosing the most appropriate target SAP to be delivered by a

realistic date. For some homes this will be ahead of 2030, for others perhaps 2040. A rigid 'One Size Fits All' standard to be achieved by an immoveable date removes the flexibility we require to be excellent stewards of our assets and budgets.

There will of course be some heritage properties (Listed or homes in conservation areas) where to improve the building fabric of the home and/or the addition of photovoltaic panels would not be possible without losing the highly valued character of the property that the legal protection seeks to preserve. However, these will be a very small percentage of the homes within a Welsh social landlord's portfolio and more of a challenge in the Welsh private sector.

Additionally, there will be a small percentage of homes with no legally protected character but nonetheless attractive stone, brickwork or terracotta detailing and these details would be lost with external wall insulation or excessively expensive to recreate using applied brick slips, cladding etc.

Finally, there will be a small percentage of homes that by reason of space limitations make it all but impossible to upgrade the building fabric. An example would be an internal staircase on an external gable wall of a home that requires internal wall insulation to meet the desired standard. This insulation would typically be 60mm-80mm thick and reduce what could be an already narrow stairs to a point that is unsafe, or that prevents the use of a stairlift. There will be instances where homes have a footpath alongside them, perhaps a public footpath between two homes already say 90cm wide would be unreasonably reduced using external wall insulation on both homes (typically 70mm to 100mm thick to each home).

EPC A or equivalent by 2030. Such a short timeline looks unrealistic at present. Whilst the level of decarbonisation grant funding available to RSLs is currently unknown our Balance Sheet is inadequate to support the level of likely funding requirement envisaged. It is not just the initial capital budget that is beyond reach but the Income and Expenditure Account will be significantly negatively impacted by the replacement of capital components that will not yet have been fully depreciated at the point where we need to replace them to reduce carbon emissions. For example, if we need to install internal wall insulation in a kitchen it will necessitate the removal of the kitchen cabinets and worktops and often lead to the need to dispose of that perfectly good kitchen (waste and carbon impact) and provide replacement cabinets to fit a room of reduced size. Additionally, our assets could be financially impaired by our lenders if the cost of decarbonisation at pace causes a negative net present value for the home.

The whole 'No Regrets' ambition of RSLs, to make wise investment that we do not later find requires undoing is undermined by the short timetable. We would also fail

to benefit from the technological improvements that we know will materialise over the coming years if we decarbonise many homes rapidly.

There are also other competing demands for our finite resources. Many RSLs, like us, are stretching their balance sheet capacity to support WG's commitment to deliver 20,000 low carbon social rented homes in this Senedd term. We fully support this commitment as these homes are desperately needed along with other affordable tenures which some RSLs are also providing. We fully recognise and appreciate the capital grant support from Welsh Government, but costs are increasing, development is more complex than ever and the introduction of the Standard Viability Model is increasing the level of private finance which RSLs are having to find to deliver each new home. The increased maintenance and servicing costs associated with new technologies will also fall more heavily on RSLs. Several RSLs are already actively working on major retrofit programmes and inputting their own funds to supplement the support from Welsh Government. Funders are watching closely what proportion of the decarbonisation burden falls on RSLs; if the balance is deemed to be significantly detrimental to RSL Business Plans then the cost and risk of developing new homes will be impacted even further.

Pobl Group, unlike many RSLs has a care and supported living arm and these large, complex buildings in many cases require fire safety works; in some cases £300k per development and this is taking away resources from decarbonisation works.

Many RSLs are finding Western Power Distribution seeking large sums to upgrade their privately owned infrastructure as enabling works for air source heat pumps and PV systems. We have received an initial quote from Western Power to upgrade the electrical infrastructure at Parc Penrhiw, Carmarthenshire to a 3-phase supply at a cost of £234k + legal costs. There is an associated issue relating to the WP transformer for the site which may need relocating on neighbouring land that we do not own, so could involve land purchase costs legal fees for easements etc. We are looking at this in more detail at the moment but if needed that would inevitably lead to additional costs and longer timescales.

2. What are your views on the need for a new independent quality assurance scheme for housing retrofit measures? How should such a scheme be developed?

We already have TrustMark, incorporating PAS (publicly available specification) 2035. This was established as the new quality mark within the retrofit standards framework and is a very comprehensive quality scheme supported by an Industry Code of Conduct, a Consumer Charter and a framework of technical standards for retrofit. So no, we don't need another QA scheme, and some would suggest a 'lite' version of PAS2035 to reduce the cost and complexity of the current standard.

3. How can the financial challenges facing social landlords, particularly in recouping a proportion of the financial saving from energy efficiency measures, be addressed?

The first thing to be mindful of is that there may not be a saving to share if tenants are living in under heated homes. Many will take part or all the saving in comfort rather than cash. Often our tenants will be spending as much as they can afford to heat their home but it will be inadequate get comfortable. As the heat demand reduces following the improvements, they may spend the same amount but finally feel comfortable.

Secondly, the current cost-of-living crisis in part driven by energy prices mean for many tenants paying an increased rent to reflect an improved EPC will not be feasible as they are seeing all other costs rising sharply. Hopefully, we will see inflationary pressures drop significantly in the next two years to reduce these cost pressures for tenants which in turn may allow a formulaic rent model linked to SAP score to be possible. This means currently, recovering any of the cost from low-income households will be very difficult.

4. How does funding for decarbonisation programmes need to change to factor in ongoing maintenance and servicing costs and technology costs e.g. for IES, mechanical ventilation, air source heat pumps.

We are focussed on affordability for our tenants so adding costs to service charges for example is not recommended. Revenue will be needed annually or rolled up as a capital lump at point of install.

These additional cost pressures will need to be added into the standard viability model for new build. As for existing homes that we retrofit some form of annual revenue support grant to be tapered off over say 15 years would help us adjust business models to factor in these costs.