# WRITTEN STATEMENT

# BY

# THE WELSH GOVERNMENT

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| **TITLE**  | **The Optimised Retrofit Programme 2020-21** |
| **DATE**  | **6 November 2020** |
| **BY** | **Julie James MS, Minister for Housing & Local Government** |

In August, together with Ken Skates and Kirsty Williams, I launched the Optimised Retrofit Programme (ORP). This programme will test a new approach to decarbonising Welsh homes, based on the recommendations of the Jofeh Report published in July 2019. Initially £9.5m was available for this financial year but I am delighted to say that we have since been able to increase the budget to £19.5m.

It is a whole house, pragmatic, approach to decarbonising existing homes. It is far more sophisticated and bespoke than previous schemes because it takes into account the fabric or materials our homes are made from; the way we heat and store energy in our homes and the way energy is supplied to our homes. Some of the upgrades that are to be trialled through projects this year will include heat pumps, intelligent energy systems and solar panels. All supported schemes are planning to include off gas grid properties where the challenges of decarbonisation are even greater.

The intention is not to upgrade all homes to zero carbon this year but to learn how to upgrade homes well, at an optimised cost, setting us on the right path towards the decarbonisation of all homes in Wales.

Importantly the programme also aims to embed, promote and deliver fair and decent work in Wales, drive innovation and create supply chains in line with our foundational economy ambitions.

Today I am able to announce the schemes which have secured support this year.

Four schemes are from local authorities – Denbighshire, Ynys Mon, Carmarthenshire and the Vale of Glamorgan. The fifth is a consortium involving 27 social housing providers from across Wales. It is led by Pobl Housing Group and managed by Sero Homes. As well as establishing 1,300 homes on the pathway to being net zero for carbon output, the consortium is developing much needed tools and resources which can be used to roll out the large scale decarbonisation of all homes across Wales. This includes the creation of open frameworks for the supply of materials and labour which are focused on the development of the Foundational Economy and creation of skills to help meet the challenge of our decarbonisation ambitions. More information about the eligible schemes is in the attached annex.

I am not going to pretend that £20m is going to come anywhere close to decarbonising Welsh homes. Everyone recognises that huge amounts of money will be needed. And experience shows that throwing money at the problem just does not work. We need to understand what works first. Most of the cost of retrofit will come from private sources and not the public purse, it is therefore essential that we learn how to retrofit homes well to give confidence to investors. This programme will give us a much clearer picture about the true costs and create the approach and an industry to decarbonise all 1.4 million homes in Wales by 2050.

The Optimised Retrofit Programme will set the standard for retrofit schemes in Wales, including existing programmes such as the Welsh Housing Quality Standard (WHQS) with around 300,000 social and fuel poor homes potentially over the next 10 years.

The work started in over 1,700 homes this financial year will help tenants and the environment by reducing the amount of carbon produced in powering and heating homes. And it will open the door for the development of a new long-term Welsh retrofit industry. Tackling concerns about quality of work, supporting supply chains and creating thousands of local jobs and training opportunities in Welsh communities.

It has the potential to enable private homes to meet the 2050 decarbonisation target and deliver a green low carbon economy and create 15,000 new jobs in Wales over the next 10 years.

Welsh colleges have already begun developing retrofit academies in readiness. The Construction Industry Training Board (CITB) has begun developing accredited standards for the training, making Wales a first mover region for decarbonisation of homes and creating the benefits that come with it. We are working with multiple stakeholder representative bodies such as the Federation of Master Builders and the Builders Merchants Federation to promote the opportunity this creates for the SME sector, not just for this year but for the longer term.

Communities will also have a vital role to play. We will not succeed in our endeavours if we seek to impose solutions on people. This programme will work *with* people to find the right solutions for the home and the resident, leading the way in decarbonising Welsh homes.

ANNEX

**Eligible schemes recommended for funding:**

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| --- | --- | --- | --- | --- | --- | --- |
| **Applicant Name** | **Project Name** | **Project Description** | **Total Project cost** | **ORP funding request** | **No of homes****On gas** | **No of homes****Off gas** |
| Vale of Glamorgan Council | Rural Vale Hybrid retrofit | This proposal includes the supplementing of 37 existing off gas heating systems with air source heat pumps to create hybrid heating systems and the installation of Intelligent Energy Systems (IES) in a broad sample of their housing stock. This will retain familiarity with the current heating source for the occupants combined with the reduced running costs and carbon reductions associated with modern carbon neutral heating systems and provide data and a ‘pathway’ to decarbonise their homes by 2030. | £613,000 | £393,053 | 96 | 41 |
| Carmarthenshire County Council | Voids retrofit project | Identify an innovative and replicable solution that improves the energy efficiency and reduces carbon emissions from one of our most prevalent housing architypes. The aim is to find a solution which can be replicated across this type of housing stock at scale and pace to mitigate fuel poverty for some of their vulnerable tenants. | £1,075,695 | TBC | 6 | 1 |
| Anglesey County Council  | Pont y Brenin, Llangoed & Maes Gwyn Llanddona and Min y Môr, Aberffraw. | Off gas properties with bulk LPG as a main fuel source. The properties included in this bid form part of a combined £6.78m investment on two planned maintenance contracts which have commenced on site and integrates their Decarb goals into the scheme and draw on external funding such as RHI and ECO3. | £6,700,000 | £534,774 | 0 | 120 |
| Collaboration of 26 RSLs and 1 LHA | Optimised Retrofit Pathfinder | The scale of the collaboration provides opportunity to develop survey and management tools which can be used to accurately determine the right measures, products and schedule (aligned with RMI programmes) for individual homes. These will be trialled through this round of ORP with the installation of IES and measures across a wide range of property types and across all of Wales. The proposal sets out good practice in management and funding solutions (including the use of loan funding) which will be shared across the sector. It commits to the development of innovative labour and material frameworks targeted at creating a ‘green economy’ by upskilling Welsh SMEs and manufacturers, not as sub-contractors to larger organisations but with a ‘mentoring’ structure. These frameworks will be open to all public sector organisations. | £17,194,227 | £9,000,000*£7m grant / £2m loan*  | 968 | 404 |
| Denbighshire County Council | Council Housing External Major Repairs + ORP | The scheme is expanding their existing roof replacement programme with the addition of PV and battery storage. Their contracts for the RMI works were already being tendered but the introduction of ORP has required changes, specifically to the requirement to maximise local benefits and upskill existing supply chain and DLO. The proposal is further develop a solution which aligns their maintenance and decarb programmes by the installation of IES across their housing stock. It is integrating the funding into their ongoing programme which will demonstrate how their RMI schedules need to be, and can flexible and react to funding opportunities as they arise.  | £2,001,250 | £814,250 | 80 | 25 |
| **TOTAL** | **£27,584,172** | **£10,742,077** |  **1150 591** **Total homes - 1741** |