

Response ID ANON-W5A2-V3S2-D

Submitted to **Domestic private rented sector minimum level of energy efficiency**
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Introduction

1 What is your name?

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Chartered Institution of Building Services Engineers (CIBSE)

Consultation Questions

Question 1 Do you agree with the policy proposal under consideration here to introduce a landlord contribution element where funding is unavailable to ensure improvements to Band F and G properties can be delivered (unless a valid exemption applies)? This would be subject to a cost cap.If you do not agree, what are your objections, and how do you recommend the energy efficiency minimum standard should be achieved, given the current funding climate?

I agree with this proposal

Please provide reasons and evidence where available to support your views. :

Yes, we very much support the principle that a landlord contribution should be expected in view of the challenges and potential benefits, and the demise of the Green Deal as a potential financing mechanism.

As a broader comment, we would like to see a much more comprehensive strategy for improving the existing building stock, as a minimum to EPC ratings of C by 2030 as stated in the Clean Growth Strategy. While this consultation is welcome as the current "no cost to landlord" would have very detrimental consequences, it does not preclude the urgent need for a strategy for much more significant energy efficiency improvements rolled out across the building stock. See also our response to question 9.

Question 2a Do you agree that a cost cap for improving sub-standard domestic private rented property should be set at £2,500? If you do not agree, what would be the most appropriate level to set the threshold?

I do not agree with this proposal

Please provide reasons and evidence where available to support your views. :

No. We think this cap is too low and inappropriately set. By the government's own estimate, it would result in only 30% of the F- and G-rated PRS properties achieving EPC E ratings. This very low proportion would be a significant missed opportunity and makes it difficult to reconcile the proposed £2,500 cap with the government's stated ambitions, including the Fuel Poverty strategy, the Clean Growth Strategy, and the ambitions stated in this very consultation to ensure that "privately rented homes are of good quality, meeting modern standards of comfort and with affordable energy bills for tenants". We would also highlight that the Committee on Climate Change also recently strongly recommended more measures to tackle the existing building stock. It is not clear to CIBSE whether the adoption of this cap would have a further negative impact on the ability of the UK to meet its targets under carbon budgets four and five, either.

It is extremely important that policy direction is clearly set and showed to be consistent, in order to allow confidence for investment and developing market capacity. The need to address the "no cost to landlord" clause has been apparent since 2015, and this consultation has been published very close to the regulations implementation date. With the proposed cap so low that the majority of F- and G-rated properties are expected to be exempt, beyond the missed opportunities on these properties themselves there is also a strong risk that government will give the impression of a weak commitment to tackling fuel poverty, health inequalities, carbon reductions and energy efficiency of the existing building stock, including The Clean Growth Strategy's ambition that "as many private rented homes as possible are upgraded to EPC Band C by 2030". Achieving this will require a greater level of ambition and investment than this cap intimates.

Unfortunately the available impact assessment does not provide any information on the properties expected to meet (or not) an EPC rating of E at the various cap level options (see also our response to question 10a). It is therefore difficult to comment in detail; however, and as listed properties are excluded from the assessment, we assume that the majority of the properties that are expected NOT to meet the cap tend to be the larger ones, and therefore also probably, on average, those of higher value. Rather than a single cap, we think it would then be reasonable to introduce a gradual cap, with higher levels for at least the larger and/or higher value properties, without resulting in an "unreasonable" burden on landlords.

We would also highlight that by the government's own assessment, even a £5,000 cap would only on average result in average costs to landlords of £2,100 ... and that these costs may not even be entirely borne by the landlords, as they could include other sources of funding (e.g. ECO). By comparison, the consultation states that 45.7% of households in F and G rated PRS properties are in fuel poverty, and households in F- and G-rated properties need to pay on average £600 more to stay warm than in E-rated properties, and £1,000 more than in the average UK property. These are significant figures that we think need to be addressed. An increased cap for at least a proportion of the properties, even if it resulted in a £2,100 average landlord contribution, would then, in our view, be better aligned with the government's stated aims for balance and fairness. It is also far more likely to lead to the UK achieving its carbon emissions reduction targets over the

next decade.

The aim of the policy should be to bring the vast majority of the existing stock to EPC E or better, with exemptions only in narrowly and clearly defined cases. It seems counter-productive, costly in regulatory and administrative resources, and lacking in ambition to deploy a policy aiming for 30% of the properties, when the target of EPC E is itself recognised as insufficient to address the needs of energy efficiency and climate change.

If the concern is to reduce the initial burden of the legislation, then it should be done in such a way that it incentivises early action, such as through an escalator approach, whereby the later a landlord leaves it, the more they will have to contribute. However, there is a drawback that will result in more early and limited action and reduce longer term emissions reduction.

See also our response to question 10a for comments on the impact assessment.

Question 2b Do you agree that a cost cap for improving sub-standard domestic private rented property should be set inclusive of VAT?

I do not agree with this proposal

Please provide reasons and evidence where available to support your views. :

We think this is a side issue: including VAT would reduce the effect of the cap, which we think is already too low anyway. Ultimately, whichever way the cap is set and measures such as VAT and external contributions are accounted for, the aim should be that the vast majority of properties should be required to improve to the minimum EPC rating of E, or better.

As a wider policy note and as we have fed back in previous consultations, a potential driver for energy efficiency works would be to reduce or abolish VAT, bringing it in line with zero-rated new build works.

If landlords are operating a business then they probably can reclaim VAT, so this may be a further distortion.

Question 3 Do you agree that a cost cap should not take account of spending on energy efficiency improvements incurred prior to 1 October 2017? If you do not agree, what would be the most appropriate way of taking account of previous spending on measures which have failed to raise a property above EPC F or G?

I agree with this proposal

Please provide reasons and evidence where available to support your views.:

Overall, we agree. There are already enough questions about how the cap will be enforced without adding an additional level of complexity in the enforcement by allowing prior work to be taken into account, as we would see a sudden surge in the levels of improvement of rented property being claimed.

We are however aware that there are two sides to this question: on the one hand, taking account of previous spending risks creating loopholes and unintended consequences, for example landlords claiming contributions from works they were to carry out anyway, with reliable information difficult to obtain retrospectively; on the other hand, it seems unfair that landlords that have NOT taken proactive early steps to prepare for the upcoming legislation would now benefit from the cap. This further supports our response to question 2, i.e. the cap should be set so that the vast majority of properties would have to improve; it should not be an excuse for the majority of properties to do nothing, counting on last minute policy changes to avoid action.

Question 4 Do you agree with the proposal that where a landlord contributes to the improvement, the cost cap threshold should be inclusive of any funding which can be obtained through a 'no cost' finance plan (including a Green Deal finance plan), Supplier Obligation Funding (for example, ECO: Help to Heat or a successor scheme), or energy efficiency grant funding from a Local Authority or other third parties?

I do not agree with the proposal

Please provide reasons and evidence where available to support your views.:

We absolutely do not agree, particularly if the cap is set at the current level, which is too low – see response to question 2. However, ultimately, whichever way the cap is set and measures such as VAT and external contributions are accounted for, the aim should be that the vast majority of properties should be required to improve to the minimum EPC rating of E, or better.

Question 5 Do you agree that it is not necessary to place a regulatory duty on energy suppliers, or their agents, to provide landlords with cost information relating to the value of energy efficiency improvements made to the landlord's property through a supplier obligation?

I do not agree with this proposal

Please provide reasons and evidence where available to support your views.:

Since a market can only function effectively with full information disclosure, then there should be a requirement on suppliers to make landlords aware of the potential benefits of supplier obligation schemes.

Question 6 Where a landlord is intending to register a 'high cost' exemption, should the landlord be required to provide three quotes for the cost of purchasing and installing the measures, in line with the non-domestic minimum standards?

Yes

Please provide reasons and evidence where available to support your views.:

This seems reasonable. As stated in the consultation, it would be good practice in any case for landlords to seek several quotes before carrying out works, so this should not be overly burdensome on them.

Question 7 Do you agree with the proposal to limit the validity of any 'no cost to the landlord' exemptions (under Regulation 25(1)(b)) registered between October 2017 and the point at which a capped landlord contribution amendment comes into force? If you do not agree, what are your objections and how do you recommend that the minimum standard regulations be amended to ensure the energy efficiency

improvements are delivered to such properties which might otherwise be left unimproved once the amended regulations came into force?

I agree with this proposal

Please provide reasons and evidence where available to support your views.:

Once the amended regulations come into force then previously registered exemptions should be revisited.

Question 8 Do you have views on whether the consent exemption under Regulation 31(1)(a)(ii) should be removed from the minimum standard regulations or retained?

Please provide your views and support these with reasons and evidence where available.:

In principle, we would support retaining the exemption because we believe in the right for housing tenants to be consulted and have a say on their living conditions; there could be very specific and valid circumstances where tenants should not be expected to go through the disruption that energy efficiency works could incur. However, the exemption should be carefully monitored to ensure it is not (wittingly or unwittingly) abused, including:

- A review of the information provided by landlords on the possible disruption, and the potential benefits provided to the tenants by the work. Template information could be developed by government and provided to tenants, to provide consistency and help prevent the circulation of inappropriate information.
- A period after which the exemption should be reviewed, after a few months with existing tenants (e.g. if their life circumstances have changed) and in any case if the tenants have changed.
- A review of the overall proportion of properties relying on this exemption, and a plan to address it should it represent a large proportion of un-improved properties.

Question 9 Do you have any comments on the policy proposals not raised under any of the above questions?

Please provide your views and support these with reasons and evidence where available.:

See response to question 1: We would like to see a much more comprehensive strategy for improving the existing building stock, as a minimum to EPC ratings of C by 2030 as stated in the Clean Growth Strategy. While this consultation is welcome as the current "no cost to landlord" would have very detrimental consequences, it does not preclude the urgent need for a strategy for much more significant energy efficiency improvements to be rolled out across the building stock.

The latest revisions to the Energy Performance of Buildings Directive are expected to require stronger links between financial mechanisms and building refurbishment, and so it would be good for the government to consider this alongside its policy on financing improvements under MEES.

In the immediate term, we think that at the very least, properties carrying out improvements should be encouraged to go beyond the minimum required to achieve EPC E: once works to a property are being carried out, it is much more cost efficient and much less disruptive to carry out a substantial package of measures all at once. As this consultation's own assessment points out, the average costs for the properties able to reach EPC E are expected around £1,000: this should leave much scope for further improvements. There could be many ways to encourage this; at the very least, government should clearly communicate its Clean Growth Strategy ambitions for as many properties as possible to reach EPC C by 2030, so that landlords carrying out works now would not necessarily stop at an E rating, future-proofing their property to benefit from reduced disruptions and costs in the long-term.

Question 10a Do you have any evidence or comments regarding the consultation impact assessment (including views on any of the assumptions we have made to support our analysis), which could inform the final stage impact assessment.

Please provide your views and support these with reasons and evidence where available.:

We note significant gaps in the impact assessment, which we think underestimate benefits from energy efficiency improvements in some important areas, including:

- the omission of benefits in the form of savings for health providers, which the impact assessment itself acknowledges "are likely to be substantial"
- the omission of benefits to landlords, including the potential for reduced property maintenance, reduced tenant churn, and increased property value.

These omissions further support our response to question 2 i.e. the cap is set insufficiently low.

We would also welcome more information on the properties which are expected NOT to meet an EPC E rating within the proposed cap, as this may help interrogate figures and identify how best to encourage these properties (e.g. are they the largest, in which case they are likely to be the ones of highest value on average, for which a higher cap would not be unreasonable?).

Question 10b Do you have any evidence or information on the potential for these proposals to impact on the PRS market, including any potential for landlords who are required to act by the minimum standard regulations to pass through costs to tenants after making improvements to their properties?

Please provide your views and support these with reasons and evidence where available.:

Question 10c Can you provide any evidence on the likely costs associated with the compilation of evidence in advance of registering an exemption on the PRS Exemptions Register?

Please provide your views. :