Committee on
Fuel Poverty

Consultation on Private Rented Sector Minimum Energy Efficiency Standards

Response from Committee on Fuel Poverty

The Committee on Fuel Poverty (CFP) welcomes this consultation document setting out future targets for Privately Rented Sector Minimum Energy Efficiency Standards (MEES). The Privately Rented Sector (PRS) homes a disproportionately high percent of fuel poor households. Although only 19% of homes in England are in the PRS, the sector houses 34% of all households in fuel poverty. Therefore, both from a social equity and a need to meet the UKs Net Zero legal commitment, the energy efficiency of homes in the PRS require upgrading.

We are pleased to see our recommendations made in our 2020 Annual Report to improve adherence to current MEES regulations have been taken on board for planned enforcement in the future. However, we remain concerned about the current weak enforcement regime and recommend that the proposed property compliance and exemption database is introduced as early as is possible, as there is clear evidence for the need for an improved regulatory framework and improved enforcement of EPC standards.

Although we fully support extending the MEES, we are concerned that the proposal outlined in the Consultation would result in the 2025 fuel poverty strategy milestone of upgrading as many as is reasonably practicable fuel poor homes to Band D by 2025 being missed. In summary, our recommendation below is that the start date for the proposed regulation must be April 2023 for new lets and April 2025 for all lets and that the cap on landlords' expense should be set at £15,000 inclusive of VAT.

Our response to questions is based on our remit for fuel poverty in England.

Question 1: We would welcome views on possible impacts of the policy on the size of the PRS sector, the effect this could have on vulnerable households, and suggestions to mitigate this effect where it does occur, including any evidence.

The fuel poverty strategy for England has a legally binding goal to improve as many as is reasonably practicable fuel poor homes to Band C by 2030. It has milestones of as many as is reasonably practicable fuel poor homes to Band E by 2020 and Band D by 2025. In total, there are 2,100,000 fuel poor BAND D/E/F/G homes that require upgrading to Band C (some fuel poor homes are already at Band C or above), 750,000 of which are in the privately rented sector. On average, these BAND D/E/F/G privately rented properties require fuel costs of £342 per year above the national median to heat to acceptable levels [fuel poverty statistics – see Table 18]. If the fuel poverty strategy is revised to use a Low Income, Low Energy Efficiency Metric to define a fuel poor household, the number of pr ivately rented fuel poor homes that require upgrading to Band C jumps to 1,270,000, which makes e xtending the PRS MEES even more important

The potential downside of increased rents has to be put in context with the potential lower heating costs for PRS properties. The Impact Assessment central case assumes that landlords will increase rents by the same level as the reduction in heating costs. If this happens, a fuel poor household will still not be able to afford to heat their home to a comfortable level, although they would have the benefit of living in a well-insulated home with lower probabilities of damp and mould. However, if landlords receive public funded grants to assist them to pay for the required energy efficiency improvements (e.g. Green Home Grant), they should be prevented from increasing rents for the upgraded property.

PRS households claiming housing benefits would not be fully exposed to resultant higher rents, as some of any impact of rising rent levels will be passed onto Government to pay in the form of higher benefits. However, a significant proportion of eligible households are known not to claim housing benefit and these low-income households will be vulnerable to increased rent costs. The later section on protection for tenants is relevant here.

Question 2: Do you foresee any impacts for protected groups? Please provide evidence to support your answer.

We have not responded to this question.

Question 3: We would welcome views on any possible long-term impacts of COVID-19 that could impact on making the required energy efficiency improvements from April 2025 and suggestions to mitigate this effect where it does occur, including any evidence.

A downside of the proposed policy is that landlords will not be compelled to improve the energy efficiency of their homes until 2025. Upgrades would then be made over the period 2025 to 2028. COVID-19 has disrupted the energy efficiency supply chain and it will take time to recover. Furthermore, it has reduced the income of many households and hence reduced their ability to fund projects in their homes.

Currently, the only two Government programmes for household energy efficiency are the circa £550 million per year on-going Energy Company Obligation 3 (ECO3) scheme (approved until 2022) and the current £2 billion Green Homes Grant (we note that additional funding may be added). We welcome the linked criteria in the Green Homes Grant, designed to protect and develop the related energy efficiency supply chain, whereby landlords who have achieved EPC E, or who can provide proof of an Exemption can apply for this grant. However, the grants section of the GHG is a short term measure lasting 18 months until April 2022. If the Government is to protect the supply chain fr om the impact of COVID-19, thought will need to be given as to how it can be sustained after expiration of the current GHG and ECO3, so as to ensure there is to be sufficient capacity to achieve the ambitions set out in this consultation.

In the preferred option 2, a total spend of NPV £14.8 billion would have to occur over a four-year period between 2025 and 2028. Unless other Government programmes or regulations on improving household energy efficiency are introduced over the period 2020 to 2024, the necessary supply chain to deliver the PRS upgrades will not be in place. We note however Government's manifesto commitments for a Home Energy Efficiency Grant scheme, Home Upgrade Grant and a Social Housing Decarbonisation Fund and urge the Government to confirm funding for these schemes as soon as possible.

<u>Core policy proposal</u>
Question 4: Do you agree with the government's preferred new target of EER C as a minimum energy performance standard in the PRS?

Yes.

Committee on
Fuel Poverty

We fully support this target as it is consistent with the 2030 target of Band C fuel poverty energy efficiency rating Band C in fuel poverty strategy for England.

Question 5: We would welcome your views on the pros and cons of these alternative metrics, in relation to our overall policy goals around reducing carbon emissions, fuel poverty, and energy bills; please provide evidence with your answer.

We would not support including an Environmental Impact rating (EIR) band C target in the regulations as Government has not yet addressed how they would assist low income and fuel poor households to pay the resulting higher heating costs from the use of renewable fuels. The fundamental problem of including an EIR target is that you are switching a household from using low cost gas or heating oil, to having to use high cost electricity to heat their home. The higher efficiency of heat pumps (currently circa 250%) is insufficient to counteract the significant increase in unit price for electricity versus gas/oil. Until such time as Government can address this problem for low income and fuel poor households, a push to using EER as an additional target should not occur.

The Impact Assessment (Table 13 page29) shows that there are considerable average annual energy bill savings for an EER based cap (e.g. an average of £260 per year savings for a £15,000 cap). However, Table 13 also shows that if a carbon emissions target of Band C EIR is included, for the same £15,000 cost cap the average bill savings are lower - adding an EIR target reduces the average energy bill savings across all households from £260 per year down to £230 per year.

offset by a year's worth of bill savings as shown in Table 13, and in most cases works will be carried out between tenancies so the costs shown here are likely an overestimate[56]. Under the lead option of £10,000 the average bill saving in 2028 is £220. This will be higher for tenants in more energy inefficient properties – a property moving from EPC D to EPC C will on average save £150, whereas a property moving from EPC E to EPC C will save on average £350 in 2028. Section 6.5 sets out the estimated value of improvements in tenant health.

Table 13: Estimated average costs and benefits to tenants from amending the Regulations (2018 prices)

Average (mean) cost per property with measures installed	£5,000	£10,000	£15,000	£15,000 CC
Average tenant hidden cost per household	£50	£50	£50	£60
Average (mean) annual energy bill saving per household in 2028	£110	£220	£260	£230
Increase in rent paid in 2028 (low)	£0	£0	£0	£0
Increase in rent paid in 2028 (central)	£110	£220	£260	£230
Increase in rent paid in 2028 (high)	£230	£390	£410	£410

6.9 Equalities Impact

47. This section provides an analysis of how different groups of people will be affected by the policy, in line with the government's guidance on the Equality Duty. This guidance suggests the distributional impact of policies should be evaluated with regards to their impact on social groups with certain characteristics, namely:

- Age

Committee on
Fuel Poverty

On the face of it, an average reduction of £30 per year (£260 - £230) in bill savings does not sound much. However, the Impact Assessment page 21 table 5 shows that only an additional 14% of properties achieve an EIR of Band C (70% vs 56%) if an EIR target is added and this is where energy cost increases will be concentrated.

21 / 52

15. Table 5 shows the proportion of PRS households[32] in scope of the regulations, i.e. not currently at the required target and require an EPC, that are estimated to be able to achieve the required EER C and, for the dual metric option, EER C/EIR C. The table also shows those that can't achieve this target but still need to install measures up to the cap level to prove compliance. This assumes 90% compliance, though this is uncertain (see Section 9 for more details).

Table 5: Estimated proportion of PRS homes in scope that do / do not achieve the required target by 2028

	£5,000	£10,000	£15,000	£15,000 CC
Percentage of PRS homes in scope meeting EER C	42%	70%	74%	73%
Percentage of PRS homes in scope not reaching EER C but taking some action	48%	20%	16%	17%
Percentage of PRS homes in scope meeting EER C/EIR C	25%	52%	56%	70%
Percentage of PRS homes in scope not reaching EER C /EIR C but taking some action	65%	38%	34%	20%

16. Table 5 shows that meeting a higher cost cap results in more properties in scope able to reach the target. The dual metric option also shows a lower proportion able to meet the more difficult target (EER C / EIR C) despite the average spend per property being higher.

[32] This covers those in scope of the regulations – properties that are not required to have an EPC are exempt from the regulations.

21

As a cross-check, the above 14% of properties is broadly consistent with Table 4 on page 21 of the Impact Assessment which shows that by including an EIR cap, an additional 350,000 low carbon h eating measures were installed (i.e. in circa 13% of properties in scope).

considered in the sensitivity analysis (Section 8).

Table 4: Estimated number and type of measures installed as a result of the Regulations, millions, 2025-2028

Type of installation	£5,000	£10,000	£15,000	£15,000 CC
Loft insulation	0.62	0.63	0.62	0.68
Cavity Wall Insulation	0.46	0.48	0.48	0.52
Solid Wall Insulation	0.18	1.08	1.11	1.16
Floor insulation	0.93	0.67	0.68	0.82
Draught-proofing	0.44	0.43	0.45	0.62
Low carbon heating	0.00	0.21	0.35	0.70
Heating Controls	1.19	0.60	0.59	0.84
Hot Water Cylinder Insulation	0.30	0.31	0.31	0.34
Low energy lighting	0.29	0.16	0.18	0.26
Double glazing	0.13	0.09	0.09	0.15
Solar photovoltaics	0.38	0.27	0.28	0.23
Solar thermal	0.05	0.11	0.11	0.12
Total	5.19	5.44	5.79	6.90

15. Table 5 shows the proportion of PRS households[32] in scope of the regulations, i.e. not currently at the required target and require an EPC, that are estimated to be able to achieve the required EER C and, for the dual metric option, EER C/EIR C. The table also shows those that can't achieve this target but still need to install measures

Therefore, the **average** reduction in the bills for all PRS households of £30 per year when an EIR target is added, obscures the high impact on the incremental 14% of households who meet the target. As shown by the following analysis and using figures from the above tables, the tenants in these 14% of properties will only see an average energy bill reduction of £46/year and not £260 per year. If their landlords increase rents to claw back the higher investments they have made, the tenants of these 14% of PRS homes may actually be worse off than when the properties had low energy efficiencies.

It is logical to assume that the lower average bill savings of £230 per year across **ALL** properties is due to the installation of renewable heating and other measures installed on the 14% additional properties achieving EIR Band C. There is no reason to believe that the bill savings would change for the remaining 86% of properties. If this logic holds, this means that the energy bills of the 14% of additional properties reaching EER and EIR Band C go up by an average of £214/year ((£260-230)/0.14) versus having just an EER target.

For these 14% of properties, the average of £214/year increase in energy bills resulting from installing additional renewable heating measures, would largely counteract the average fuel cost savings of £260 per year derived from achieving just a Band C EER. The net saving would therefore only be an average of £46 per year (£260-£214). For tenants in these 14% of properties, this would mean that instead of energy costs falling by an average of £260/year, the average costs will only fall by £46/year. With such small reduction and (in the best case) assuming that the landlords do not increase rents to recoup their investments, fuel poor tenants of these properties would still be unable to afford to heat their homes to reasonable levels.

Furthermore, we are concerned that the Impact Assessment is based on the assumption that the landlord takes the energy bill savings from the energy efficiency measures in the form of an equal amount of higher rent (e.g. by an average of £260/year for a £15,000 EER cap). If in addition to increasing rents based on bill savings, landlords try to recoup the extra costs for installing renewable heating, then some tenants in properties meeting both EER and EIR targets could end up worst off.

For fuel poor households, a heating cost reduction (with no commensurate rent increase) is required to enable them to afford to heat their home to reasonable levels. We accept however that market forces will prevail, unless Government intervenes, and that assistance may be needed via other means. However, if landlords use any Government grants to meet the MEES Standards, these grants should preclude or limit any resultant rent increase.

Question 6: Do you agree with the Government's preferred policy scenario of requiring 'new tenancies' to reach EER C from 1 April 2025 and 'all tenancies' to reach EER C by 1 April 2028? If not, do you have alternative suggestions; please provide evidence with your answer.

No. We do not support the proposed timings for the regulations to come into effect as they would result in missing the fuel poverty strategy 2025 Band D milestone. Commencing the regulations in April 2025 would result in only a small fraction of PRS Band D and below properties, being upgraded to Band D by the end of the year. Therefore, to achieve the 2025 fuel poverty Band D milestone and avoid fuel poor households living in Band F/G PRS properties until 2028, we advocate that the regulations should **require 'new tenancies' to reach EER C from 1 April 2023 and 'all tenancies' to reach EER C by 1 April 2026. We recognise that an alternative to our recommendation is to aim for all PRS properties to be at Band D by April 2026 and then Band C by April 2030. This could be an alternative approach and would be consistent with the timings for the 2025 fuel poverty strategy 2025 Band D milestone and the 2030 Band C target. However, we encourage Government to show the same level of leadership and ambition that they have demonstrated for phasing out fossil fuel new cars earlier than originally planned and to push for an earlier upgrade of fuel poor homes.**

We do not support delaying the date for regulations to come into place until 2025. The fuel poverty strategy for England has two milestones and a target for improving the energy efficiency levels of fuel poor homes. As many as is reasonably practicable to achieve:

- Milestone: Band E by 2020
- Milestone: Band D by 2025
- Target: Band C by 2030

In our June 2020 Annual Report we forecast that the 2020 milestone will be missed as 120,00 of the 292,000 Band F/G fuel poor homes at commencement of the strategy (2015) would not be upgraded to Band E. The 120,000 F/G homes are broadly 50/50 in the Owner Occupied and Privately Rented sectors.

One of the main reasons for missing the 2020 milestone is that the current MEES regulations of a minimum of Band E by 2020, were significantly diluted from the original regulations. Originally, the regulations were forecast to improve 70% of PRS Band F/G properties to band E but this was diluted in the amended regulations to only 48%. There is therefore a compelling need to upgrade the residual 52%. However, many of these properties would have been granted a 5 year exemption and therefore would not require the landlord to do additional works until close to 2025. Even then, with the low cap of £3,500, it is unlikely that a further investment in energy efficiency would take place until regulations required the improvements to C as those properties would still be under the £3500 cap.

The Consultation proposal to commence implementing the Band C requirement in 2025 and not complete it until 2028, therefore risks the unacceptable situation of:

a) Missing the 2025 fuel poverty strategy milestone and
b) Tenants continuing to live in PRS Band F/G properties until 2028.

Albeit it could be argued that some of the PRS landlords who still have Band F/G properties could apply for Green Homes Grants (provided they have an Exemptions Certificate from the current MEES Band E regulations), this cannot be relied on as the PRS has a poor reputation of providing homes that are affordable to heat.

Whilst not related to the PRS, the funding required to upgrade the 50% of the 120,000 fuel poor Band F/G homes in the Owner Occupied sector, is also being delayed. The 5 year Home Upgrade Grants (HUG) Programme which is a Manifesto commitment, is not likely to be approved until the delayed CSR now scheduled for late 2021, leaving those households with the lowest energy efficiency standards and highest fuel poverty gap exposed way beyond the 2020 milestone.

Question 7: Do you agree with increasing the cost cap to £10,000 inclusive of VAT as our preferred policy proposal? If not, please explain why not and provide evidence with your answer.

No. We propose a cost cap of £15,000 (inclusive of VAT) with only an EER target.

We remain concerned at the prediction in the current Band E MEES regulations that less than 50% of the PRS Band F/G properties will have achieved EPC band E by 2020 [Impact Assessment for current MEES]. The low percentage uplift is due to the very low £3,500 cap on landlords' costs to get to Band E. The extension of PRS MEES to Band C therefore needs to compensate for the low ambition of the current Band E MEES.

It is therefore not surprising that Chart 1 on page 28 of this consultation shows that a high percentage of the residual PRS Band F/G properties require a significantly higher investment than £10,000 to achieve EPC band C. It is important that these residual Band F/G properties are not to be left behind and they should be part of the current thinking for achieving Band C.

We therefore would recommend the £15,000 cap (inclusive of VAT) with only an EER Band C target and do not support the proposed £10,000 cap. The Impact Assessment clearly shows that the £15,000 EER case has the best economics and it is also affordable for landlords. Given that PRS homes are occupied to a great extent by low income households, equity-based economics should be used to select the preferred option. The data shows that the PRS is shifting to large landlords who are running big businesses (single property landlords have dropped from 78% down to 45% of PRS landlords between 2010 and 2018). On average, option 3 only costs £600 per property more than option 2 (£5,300 vs £4,700) and has a benefit to cost ratio of 1.47 versus 1.27. Option 3 also shows the greatest average property value gain which in all cases is higher than the average investment made (£6,100 versus £5,400).

Committee on Fuel Poverty

The average bill saving is £260 per year for the £15,000 cap versus £220 per year for the £10,000 cap. An additional 4% of properties in scope achieve Band C (74%) and importantly, the percentage of Band F/G properties achieving Band C rises from 34% to 68%. For the PRS as a whole, the £15,000 cap reduces the percentage of fuel poor homes below Band C in the sector by 69%.

If Government are unable to accept our recommendation for a higher £15,000 cap, we would recommend an alternative that would stay with Government's proposed £10,000 cap but to increase the cap for Band F/G PRS properties that failed to meet the minimum energy efficiency standard of Band E under the current MEES regulations. This alternative approach was outlined in our Fourth Annual report. For these Band F/G properties that failed to get to Band E and have exemptions, any underspend versus the current £3,500 cap should be added to Government's proposed £10,000 cap for the new Band C target. For example:

- Actual expenditure by the landlord on their Band F/G property was £2,000 but next measure to get to Band E would cost £4,000 and so was not installed. This property therefore failed to achieve Band E with an under-spend of £1,500 and was given an exemption.
- The underspend £1,500 should be added to Government's proposed £10,000 cap for the Band C target, thereby for this Band F/G property, the cap would be £11,500

Question 8: Should the £10,000 cost cap be adjusted for inflation?

Yes.

The COVID-19 pandemic has resulted in substantial additional Government borrowing and the probability for future periods of high inflation has therefore increased.

Question 9: Should a requirement for landlords to install fabric insulation measures first be introduced? If yes, when, and how should such a requirement be implemented? If no, what are the alternative installation methods that maximise energy efficiency outcomes? Please provide evidence to support your answer.

Yes.

Fabric first is the ideal standard as it gets properties ready for further measures such as low carbon heating which require higher levels of energy efficiency to operate efficiently. However, from a fuel poverty perspective all 4 measures used to inform how EPCs are generated (insulation/heating and hot water/windows and door upgrades/electricity generation methods) are relevant as they all contribute to lowering fuel bills. We would urge an approach that has some flexibility in application.

Going Further

Question 10: We would welcome views on the alternative of a dual metric target to reach both EER Band C cost metric and also EIR Band C carbon metric, with an increased cost cap of £15,000 inclusive of VAT.

See response to Question 5. We also think there are merits in having one single, easily communicated target.

Question 11: Should government introduce an affordability exemption? If so, we would welcome views on how such an exemption should be designed and evidenced, and any potential impacts on the PRS market.

Yes.

The fuel poverty Band C target includes cost effective and affordable. The Impact Assessment clearly shows that a £15,000 cap on landlord's expense is on average 'cost-effective', however we do accept that in some circumstances for individual properties, this may not be affordable for the landlord.

Question 12: What should the eligibility criteria be for an affordability exemption if it is introduced, and how can the criteria accommodate fluctuations in a landlord's finances and/or in the value of a property? Please provide evidence to support your answer. Improving the energy performance of privately rented homes.

As landlords operate their properties as a business and they will benefit from the resultant higher property values as energy efficiency levels are upgraded and rents potentially rise as a result, it is they who should bear the costs for upgrading energy efficiency levels. We would not support an affordability definition aligned with the question 'Can the landlord afford to make the necessary investment?', as landlords are running a business and they should be expected to meet required standards as in other aspects of business compliance. However, the financing of 'Green Projects' is still in the early days and landlords may require time to secure funding for their investment. A short time period exemption (e.g. 6 months) would be worth considering if a landlord says that they require additional time to secure funds.

We would support an affordability metric which is linked to the property value. For example, if a landlord obtained three independent valuations of their property which demonstrated the necessary energy efficiency investments were higher than [for example 30%] of the value (e.g. a £14,000 investment required in a property with a value of £30,000), we would see that setting a lower cap of [for example £9,000 (30% of £30,000)] may be appropriate for that property.

Question 13: Should we incorporate TrustMark into energy performance improvement works? If not, please explain why not and provide evidence with your answer.

Yes.

This will provide protection for both the landlord and tenant. It also aligns with current thinking applied to the Green Homes Grant, which we support.

Question 14: What role can the private rented sector play in supporting the rollout of smart meters and what are the barriers and possible solutions to achieving this?

If a heat pump is installed in a rented property, installation of a smart meter that enables access to cheaper tariffs (e.g. time of use) should be required so as to enable the tenant to monitor consumption and potentially access preferential tariffs to help them to move away from the current high unit costs of electricity on normal tariffs.

Question 15: We would welcome views on whether the PRS Regulations may need to be tightened further for the 2030s? Please provide evidence with your answer.

The statutory fuel poverty targets extend to achieving EPC by 2030. Therefore, we have confined our answers to this and have not speculated about future targets. We note however the Government's intention to amend the fuel poverty metric to Low Income Low Energy Efficiency as flagged in its consultation on a new Fuel Poverty Strategy expected in the New Year. This would increase the number of PRS households requiring upgrades to Band C by 480,000. Given the likelihood of renewable heating measures pushing households away from using current low cost gas and heating oil to heat their homes, further extensions of PRS MEES (e.g. to Band B or A) would help mitigate (or partially mitigate) any resultant fuel bill increases.

Compliance

Question 16: What are the other steps government could take to increase awareness and understanding of the PRS Regulations?

The CFP has strong concerns about the lack of enforcement of the current Band E MEES by local authorities. We commissioned research in 2019 from RSM UK Consulting *Enforcing regulations to enhance energy efficiency in the private rented sector*, to look at enforcement levels and to understand the barriers to enforcement.

The study found that current enforcement levels in England are low, and that local authorities who are responsible for the enforcement of the regulations do not have access to accurate data on PRS properties and landlords which are necessary for efficient enforcement. Local authorities said they need easy to access up-to-date data on PRS landlords and the EPC ratings of their properties. Although data is available, it is in disparate sets of data and is not always up to date, accurate or complete.

The study also found little ownership for checking whether PRS properties that register as 'unimprovable' were in fact not able to upgrade EPC Band E economically. The study also concluded that the cost of non-compliance of the MEES needs to be much higher than the cost for landlords to comply – the current maximum penalty is £4,000.

We are therefore of the view that there is an immediate need to increase awareness of both current and future PRS regulations. Early implementation of the proposed property compliance and exemption database, with full access for local authorities would greatly assist compliance. This view is supported by the recent BEIS report on compliance pre-2018[1] and by research commissioned by the CFP and the findings from the BEIS commissioned study of MEES implementation in Local Authorities.

The CFP are pleased to see that the core proposals set out in this consultation document take on board our associated recommendations and in particular our proposals for:

- A property and compliance database (although we recommended a more broadly based landlord registration scheme)
- Mandatory registration
- A landlord registration fee
- Higher and therefore more impactful fines

However, our concerns remain about enforcement between now and 2025.

Question 17: Is the introduction of a PRS property compliance and exemptions database necessary to help local authorities to proactively enforce minimum energy efficiency standards? If yes, should we include the per-property registration fee within the cost cap? If not, what alternatives to a PRS property compliance and exemption database would you suggest?

Yes.

If our recommendation for a national landlord licensing scheme is not adopted (see above question 16), we would support a more narrowly focused 'PRS property compliance and exemptions database'. However, this data base should be set up for all PRS properties (not only those for Band D and below), so that it can serve future regulations that may set Band B and above targets, or future EIR targets. Local Authorities should also have direct access to the data base, but it should be centrally administered, and costs funded by a charge per property. The associated registration cost for landlords should be treated as being outside of the 'cost cap', as the data base is required for on-going enforcement.

Question 18: Do you agree that government should set a maximum total registration fee for landlords with a very large portfolio? If yes, how many properties should qualify as a "very large" portfolio? What should the maximum fee be? If you do not agree to a maximum total registration fee proposal, do you have alternative suggestions?

We do not have a view on this.

Question 19: Should government seek primary powers to place a requirement on letting agents and online property platforms to only advertise and let properties compliant with the PRS Regulations? If not, please explain why not and provide evidence with your answer.

Yes.

BEIS commissioned research showed the important role that letting agents played in informing landlords of their statutory responsibilities and obligations and legislation as suggested would

[1] The Impact of MEES: A Pilot Study – Henley Business School

reinforce the importance of this element of their activities. The current loophole that exists for on-line property platforms should be closed.

Question 20: Should government remove the seven to twenty-one day exemption period on landlords making all reasonable efforts to provide a valid EPC prior to a property being marketed or let? If not, please explain why not and provide evidence with your answer.

Yes.

If properties can be marketed or let without an EPC certificate, then there is a possibility that landlords could then apply for an exemption on the grounds of 3rd party consent being denied from tenants.

Question 21: Should government increase the level of the fixed civil penalty fine for offences under the EPB Regulations (currently set at £200)? If yes, how high should the fine be?

Yes – we do not have a view as to how high a fine should be to be effective, but the amount must be proportionate and should be in line with other penalties for serious risk/detriment imposed on tenants.

<u>ENFORCEMENT</u>

Question 22: Should government enable LAs to inspect properties for PRS compliance? If not, please explain why not and provide evidence with your answer.

Yes.

This is an important provision to bring MEES standards in line with HHSRS regulations and to remove an anomaly between the two. At present Local Authorities must rely on the evidence of a certificate which they have no powers to verify with a physical check of the property.

Question 23: Should government permit local authorities to use EPC Open Data for some phases of PRS enforcement? Please provide evidence with your answer.

Yes.

Local Authorities are the main public sector body with responsibilities to ensure standards in the private rented sector and to take enforcement action when these are not complied with. Most seek to educate before moving to enforcement and rely on access to data to target their broader programmes of education and training more accurately, as well as to take enforcement action.

In this section the consultation document comments that upper tier local authorities (County Councils) have the powers to delegate the powers of enforcement to lower tier (District Councils) and suggest no further changes. It is our view that the presumption to delegate to the tier responsible for housing standards should be strengthened.

Question 24: Should there be a requirement for post-improvement EPCs (and for the cost to be included within the cost cap)?

Yes.

This validates that the property has carried out the improvements to reach the required EPC rating and provides valuable information for tenants.

Question 25: Should a valid EPC be in place at all times while a property is let?

Yes.

We can see no circumstances in which this should not be the case. This information should be shared with the potential tenants at the time of advertising for letting.

Question 26: How can the most consistent set of recommendations in the EPC be assured? Does using only the most recent SAP methodology allow this?

Yes – it makes sense to revise how an EPC is based upon the latest SAP methodology. There will need to be ways to create adjustment factors for previous EPCs in order to create a consistent and comparable database.

Question 27: Should listed buildings and those in a conservation area be legally required to have an EPC?

Yes.

Listed buildings and those in a conservation area should not be automatically exempt. The current exemption for MEES allows for exemption due to prohibitive costs (i.e. above £3,500). Planning regulations require different permissions and impose various restrictions depending on the grade of listed building and the conservation area. These restrictions would need to be taken into consideration in considering allowable changes and the associated higher costs for installing certain measures would be part of a cost cap.

Question 28: Should government seek primary powers to increase the maximum fine level to £30,000 per property for each breach of the PRS Regulations? If yes, should it be adjusted for inflation? If not, what would be an alternative, appropriate maximum fine level? Please provide evidence with your answer.

Yes.

The CFP has argued for higher fines that provide a greater incentive to comply. A maximum fine that is set at a level much higher than the cap on the investment would provide this. If set at £30,000, an inflation adjustment will not be necessary, but a review of the level every 5 years should take place.

Question 29: Should government introduce powers for tenants to request that energy performance improvements are carried out where a property is in breach? If yes, how could a redress mechanism be devised?

Yes.

However, in addition tenants should be protected from vexatious eviction from landlords as a result of this request. It is not our remit to advise on the mechanisms to achieve this.

Question 30: Should government introduce some form of local authority disclosure or benchmarking where a property is in breach of PRS Regulations?

It is not clear in the report what this would entail.

<u>Exemptions</u>

Question 31: Do you agree that the updated exemption regime should come into force on 1 April 2025? If yes, do you agree that the property compliance and exemptions database should be opened six months prior to commencement of exemptions? If not, please explain why.

No.

We accept that it will take some time to establish the property and exemption database. Nevertheless, we are concerned that a delay of 5 years will leave may PRS households with EPC F & G ratings unimproved to Band E or above, as only 48% of fuel poor properties will be improved under the current regime. We would therefore like to see the database introduced and fully functioning earlier than 6 months before April 2025, in line with our proposed 2023 commencement date for the new higher standard.

Question 32: Should the 'new landlord' temporary exemption be simplified so that it applies to any person who has become a landlord within the last six months? Please provide evidence with your answer.

No. We would be concerned than any change could result in the potential for gaming of the regulations with landlords changing ownership regularly. Even if someone inherits a property and rents it out, they still need to understand the business they are entering into and can seek advice from professionals/agents if needed.

Yours sincerely,

David R Blakemore
Chair, Committee on Fuel Poverty

Members: Liz Bisset; Jenny Saunders, CBE; Anuradha Singh; Paul Massara; Lawrence Slade