

Domestic Private Rented Sector Minimum Level of Energy Efficiency

<https://www.gov.uk/government/consultations/domestic-private-rented-sector-minimum-level-of-energy-efficiency>

Response to BEIS Consultation

This response is on behalf of the Association of Local Energy Officers London.

The Association of Local Energy Officers London (ALEO London) represents local authority energy and fuel poverty officers in Greater London. We have over 60 local authority members from across the 33 London boroughs and over 20 associate members from partner organisations involved in promoting home energy efficiency within the capital.

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

We support the proposal to require landlords to fund the energy efficiency improvements needed to bring properties up to Band E, up to a reasonable cost cap. *The energy efficiency (privately rented property) (England and Wales) Regulations 2015* are not fit for purpose as currently drafted.

There is however a need for clarity in relation to the Government's approach to raising standards in private rental sector through minimum Energy Performance Certificates, and landlords' responsibilities in law to provide a decent standard of housing. The amendments to '*The energy efficiency (privately rented property) (England and Wales) Regulations 2015*' should, in particular, not undermine the Housing Health and Safety Rating System (HHSRS) category 1 hazard for excess cold.

The cost cap on landlord contributions should not become an exemption for having to meet the standards set out in HHSRS.

Question 2a: Do you agree that a cost cap for improving sub-standard domestic private rented property should be set at £2,500?

No. A cost cap of £2,500 is wholly inadequate.

Government figures, including those in the consultation impact assessment, identify that:

- EPC F & G-rated private rental sector properties account for a *'disproportionate number of households in fuel poverty'*
- Households living in the private rental sector have the highest prevalence of fuel poverty – 21.3% compared to 7.4% in the owner occupier sector, rising to 45.7% in PRS F and G stock
- The cost cap will result in only 30% of private rental sector properties currently in EPC categories F and G being raised to the minimum standard.

Inevitably the very worst properties, those that are the most expensive to remedy and are the coldest, the dampest and have the biggest impact on health, are going to be the ones that are left behind.

As demonstrated by the consultation's impact assessment, raising the cost cap to £5,000 will make a significant difference to the number of properties that are improved to the minimum standard.

It is also suggested that the cost cap is a blunt instrument when considering the different levels of rental income that exist across England and Wales. In London and the south east monthly rental levels are significantly higher than much of the rest of the country and the cost of the works on a like for like basis likely to be higher. Setting a low cost cap would seem to have a disproportionately negative effect on London and be even less justifiable given the level of rental income being generated. Linking the cap to the value of rent could be a way of recognising pressures on landlords, and could offer a way of expressing the value of the cap in payback time (or months of rent) as a way of mitigating concerns about upfront costs.

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

If the cost cap is set at an unworkably low level then making it inclusive of VAT exacerbates the problem further.

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

Yes, we agree.

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?

If you do not agree, please provide reasons and evidence where available to support your views.

No, we do not agree that, where a landlord is able to obtain funding from external sources, they should be relieved of their duty to spend the same amount as other landlords to bring the property up to a minimum standard.

Supplier obligation funding is provided directly by fuel bill payers – and in the context of the private rented sector, this is typically tenants. So if landlords were absolved from their obligation to spend up to £2,500 where ECO funding was available, it would effectively be a case of tenants providing a subsidy to their landlords.

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?

No comment.

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?

If you do not agree, please provide reasons and evidence where available to support your views.

Yes, the landlord should be required to provide three quotes. In addition, in order to avoid the risk of fraud these quotes should be obtained from installers who are certified by a relevant certification body, e.g. PAS 2030, a competent person scheme or the Microgeneration Certification Scheme (MCS).

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

Yes, we agree.

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 reasons and evidence where available to support your views.

We believe that this exemption should be removed. It would be quite wrong for a landlord to be able to claim an automatic exemption in circumstances where they choose to go down the Green Deal financing route but their tenant withholds consent to a Green Deal charge. In such circumstances, the landlord should be required to explore other finance options for making improvements including the landlord funding the measures.

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

No.

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?

No.

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?

No.

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?

No.