

RICS Response: Improving the Energy Performance of Privately Rented Homes in England and Wales

Introduction

The Royal Institution of Chartered Surveyors (RICS) is pleased to respond to this Call for Evidence by the Department for Business, Energy and Industrial Strategy (BEIS)

Established in 1868, RICS is the largest organisation of its kind for professionals in property, construction, land and related environmental issues, setting and upholding professional standards for 125,000 qualified professionals and over 10,000 firms. RICS regulates both its individual qualified professionals and those firms that have registered for regulation by RICS.

Over 80,000 of our qualified professionals work in the UK, where our goal is to deliver a healthy and vibrant property and land sector as a key pillar of a thriving economy.

We are not a trade body; we do not represent any sectional interest, and under the terms of our Royal Charter the advice and leadership we offer is always in the public interest.

RICS role on sustainability

RICS welcomes the opportunity to respond to the consultation on energy performance in privately rented homes in England and Wales. The built environment contributes around 40% of the UK's total carbon footprint, with around 14% coming from our homes – with heating, in particular, gas boilers resulting in the most emissions.

As a professional body for those working in the built environment, RICS has taken an active role in addressing the environmental challenges that we face. RICS is a participant of the UN Global Compact, the world's largest corporate sustainability initiative and we are committed to supporting delivery of the Sustainable Development Goals (SDGs) within our sector.

We have ensured that climate action is at the heart of what we do, whether this is through issuing professional guidance, setting standards, commissioning research, developing training, capacity building programmes and tools that address critical sectoral challenges, such as lack of data, driving investment to climate-friendly solutions to strategic partnerships.

Sustainability is a mandatory competency for RICS professionals. Taking action on climate change depends on knowledge and capacity to deliver. We are ensuring skills development for built environment professionals and taking proactive steps to support education, lifelong learning and training on climate action. The RICS Online Academy offers a wide-range of training courses either directly focused on climate action or associated SDGs.

RICS members already provide expert surveying and valuations advice when requests are made by landlords for exemptions under the 'Guidance on PRS exemptions and Exemptions Requirement

evidence requirements' and we anticipate that under the proposed amendments that our members will be called to provide further advice to landlords. We would welcome an early discussion with BEIS to ensure that, if required, we can develop and provide additional training for those in the profession.

Key points

1. The impact of COVID-19 has seen employees shift from working in the office to working at home. Whilst we anticipate that once the current pandemic has receded, there will be a return to the office, it is likely that for many this will no longer be five days a week, but instead there will be a blended approach between home and office. This will no doubt have an increased impact on the carbon footprint of our homes.
2. The PRS makes up just one part of the residential property sector, accounting for 19% of households according to the English Housing Survey 2018/19. Whilst the PRS has the least energy efficient homes, if carbon emissions are to be tackled effectively then both the social housing and owner occupier sectors need to be addressed as well.
3. The consultation is confusing two key elements – environmental efficiency and energy efficiency. Environmental efficiency in terms of how much carbon is generated from the home and energy efficiency in terms of how much it costs to run the home. Whilst we agree that improving energy efficiency will lead to a reduction in emissions, if government truly wishes to address carbon emissions it would use the Environmental Impact Rating (EIR).
4. The target dates set by government may prove to be challenging. As noted by BEIS, around 3.4 million PRS properties have an EPC rating of D or below and over 600,000 are off the gas grid. In order to meet compliance by 2028 (depending on when the regulations are in place), we are looking at 425,000 properties a year requiring work.
5. RICS understands that a fabric first approach in terms of increasing the insulation of a home could be beneficial in addressing the emissions that are produced from heating systems. However, we are concerned that unless adequate ventilation is introduced a fabric first approach could lead to overheating.

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 PRS as noted in the consultation document is still heavily reliant on individual landlords who have between 1 and 4 properties. While the Build to Rent sector is growing, it represents a fraction of the 4.8 million households living in the PRS. Data from the British Property Federation shows that there are 171,814 Build to Rent homes in the UK, including both London and the regions, of which 50,821 are complete, 36,701 under construction and 84,292 in planning.

Having so much of the housing stock in the hands of individual landlords leaves the PRS particularly vulnerable to external events. The past few years have seen additional checks placed on landlords, through right to rent and electrical safety, while this year in particular landlords have come under pressure with regards to rent arrears and the ban on evictions. With continuing difficulties around COVID-19, recession, redundancies, and Brexit landlords, like their tenants, are facing another year of economic uncertainty.

According to the English Housing Survey the PRS has the highest proportion of older dwelling with 33% built before 1919. The PRS also has a comparatively high proportion of converted flats. Older homes and converted flats will require greater investment in terms of bringing them up to the

standards that are being set in the consultation (this will depend on the prior works) and may present a significant investment for landlords.

To carry out extensive works landlords between lettings will mean that landlords are facing void costs as well as retrofitting costs or they will need to be done around sitting tenants. For those who are vulnerable having extensive remediation works carried out around them could cause problems, especially those with underlying health conditions. With large numbers of PRS homes in urban locations, finding enough skilled contractors to carry out the work in the timeframe set by government is optimistic if these are to be completed during vacant periods. Conversely, in rural locations where tenants stay for longer periods of time, there are fewer vacant periods and it will take longer to bring homes up to standard.

It is highly likely that depending on the level of work required landlords will either look to exit the market – either through selling or converting to a short let - or recouping costs through higher rents. For those who are struggling financially, a rise in rents may force them into arrears.

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

See above

CHAPTER 1

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.

The possible long-term impact of COVID-19 is speculative, however, it is likely that more people will move to a blended way of working which will result in increased emissions from homes.

In terms of the ability to improve energy efficiency in the PRS, this will depend on the economic fall-out of COVID-19, the depth of the recession, and the sectors that are affected – especially for small business that have limited headroom. In addition, there remains uncertainty around Brexit, especially in terms of tariffs should materials need to be imported and the availability of skilled labour.

Question 4: Do you agree with the government's preferred new target of EER C as a minimum energy performance standard in the PRS?

The consultation is confusing two key elements – environmental efficiency and energy efficiency. Environmental efficiency in terms of how much carbon is generated from the home and energy efficiency in terms of how much it costs to run the home. Whilst we agree that improving energy efficiency will lead to a reduction in emissions, if government were to truly wishes to address carbon emissions it would use the Environmental Impact Rating (EIR).

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.

While poor insulation and inefficient homes contributes to fuel poverty, household income and expenditure also has a significant impact. Data taken from the Ministry of Communities and Local Government for England (MHCLG) shows that those privately renting spent 34% of their gross household income on rent, compared to 28% for social renters. Those buying their home with a mortgage spent 18% of their household income on mortgage payments.

These figures vary from region to region, impacted by the availability of homes for rent. In London, where there are significant housing challenges, with the Trust for London, reporting that the average renter in a one-bedroom home in the capital spends almost half (46.4%) of their gross median pay on rent. If government is serious in its aims to tackle fuel poverty it also needs to increase housing supply, especially affordable housing for those on low incomes.

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.

The target dates set by government may prove to be challenging. As noted by BEIS, around 3.4 million PRS properties have an EPC rating of D or below and over 600,000 are off the gas grid. In order to meet compliance by 2028 (depending on when the regulations are in place), we are looking at 425,000 properties a year requiring work.

Some properties may require less work than others, but even so in terms of available skills and materials there will be challenges. As yet we do not know the outcome of Brexit and how that will affect skilled labour or indeed tariffs on materials. However, we do know that there is not enough skilled labour in the construction sector and that if the sector is to meet the preferred policy scenario then government will need to put in place a plan to ensure that firms are able to recruit and train those with the right skills to retrofit homes.

To support landlords it would be helpful for government to provide a clear definition of what it means by a 'new tenancy'.

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.

According to the English Housing Survey the PRS has the highest proportion of older dwelling with 33% built before 1919. The PRS also has a comparatively high proportion of converted flats. Older homes and converted flats will require greater investment in terms of bringing them up to the standards that are being set in the consultation (this will depend on the prior works) and may present a significant investment for landlords.

Increasing the cap to £10,000 inclusive of VAT may provide landlords with the option to invest in older homes and improve their environmental and energy performance, however any cost cap needs to take into account regional variations and return on investment. If an older property is going to cost up to £10,000 for retrofitting, but the works will take the property above the ceiling value (maximum price that a property may make on the sales market) for an area or rents are at a level that the cost cannot be recouped then the landlord may decide to sell or consider converting to a short let.

It is essential that government effectively promotes the availability of the Green Homes Grant to landlords, that they are easily accessible and that the scheme is extended beyond March 2022 – especially taking into account the impact of COVID-19, shielding households and access to trades people.

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

See above

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.

We understand that a fabric first approach in terms of increasing the insulation of a home could be beneficial in addressing the emissions that are produced from heating systems. However, we are concerned that unless adequate ventilation is introduced a fabric first approach could lead to overheating.

Overheating is becoming an increasing problem in our homes, especially in new built homes, constructed to higher energy efficiency standards. In the 2018/19 English Housing Survey, residents in high rise flats were more likely to report that at least part of their home got uncomfortably hot (12%), compared with those in low rise flats and terraced houses or semi-detached houses (all 7%).

9.3 Overheating of homes over prolonged periods can have serious consequences for the health of occupants and in extreme cases there can be a risk to life. In 2003 the summer heat wave across Europe is estimated to have caused the deaths of more than 35,000 people, including 2000 in the UK.

9.4 With temperatures continuing to rise, it is essential that in ensuring homes are more energy efficient, especially with a fabric first approach that this does not lead to overheating. Older people and young children are especially vulnerable to overheating and with an increase in the percentage of older people living in the private rented sector care needs to be taken to avoid the complications of unintended consequence.

9.5 A risk of installing fabric insulation measures first is that a landlord may not take an overview of the whole property or seek expert retrofitting advice, they could just focus on loft and cavity wall insulation. We would recommend that a whole building approach be adopted, using a professional with expertise in retrofitting to ensure that any remediation work carried out improves both the energy efficiency of the home and avoids creating any unintended problems at a later date.

CHAPTER 2

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.

We believe that a dual metric target has the potential to confuse both tenants and landlords. A single metric should be applied.

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.

An affordability exemption is one way to address the issue of a large cost cap. To ensure that it is equitable it would have to be nuanced to take into account regional variations such as property price and rent levels, balancing landlord income with the expenditure required to meet the new regulations.

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.

See question 11

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

The TrustMark scheme has been operational for two years and although Government endorsed, it does compete with other schemes such as CheckaTrade, FindaTrade and MyBuilder. On a Google search TrustMark was at the bottom of the page.

If TrustMark is to be incorporated into energy performance works then more will need to be done to raise awareness amongst tenants, landlords and businesses of the scheme. This may require additional expense from government.

It may be that flexibility will be required in incorporating TrustMark in order to ensure take up of the scheme.

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?

We do not have a view on this.

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.

We do not have a view on this.

CHAPTER 3

COMPLIANCE

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

There are a number of steps that government could take:

- Working with tenant bodies to ensure that information is accessible and available to all tenants in the PRS and raising awareness of the [How to Rent](#) publications on the government website.
- Working with bodies such as RICS to raise awareness amongst lettings agents.
- Reviewing and improving the information on the [government website](#) for landlords and creating a much more user friendly that provides landlords with the information they need. This could cover everything from tenancies, health and safety checks, as well as the PRS regulations.

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?

See Question 26

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?

See Question 26

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.

The PRS Regulations allow exemptions in certain circumstances:

- 'All relevant improvements made' exemption
- 'High cost' exemption
- Wall insulation exemption
- Third party consent exemption
- Property devaluation exemption
- Temporary exemption due to recently becoming a landlord

In areas where there is a plentiful supply of properties and contractors available to bring properties up to the standards set out by the MEES regulations then there may be more of an expectation that lettings agents and online property platforms would not let properties that are not compliant.

However, in rural areas, where there is a limited supply of homes for rent and those homes tend to be older homes and potentially require extensive retrofitting it may not always be possible to meet the regulations.

Research carried out by the CPRE found that there were 19,975 homeless households living in rural local authorities in 2019/20. While there is a need to build new homes in rural areas, removing available homes from prospective tenants by not advertising them will not address the rural housing crisis.

In these circumstances lettings agents and online platforms should be able to continue to advertise properties, however prospective tenants should be informed before agreeing to a tenancy that the property does not meet the regulations and the potential impact.

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.

The seven to 21 day exemption period should remain. A new EPC will be required after work has been done to meet the regulations and any further delay in marketing or letting a property will lead to an increased time that the property is vacant.

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?

We do not have a view on this.

ENFORCEMENT

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

See Question 26

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

See Question 26

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

See Question 26

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

If an EPC is to be used, ideally there should be a valid certificate in place at the point at which the property is let and during the letting. However, EPC's have an expiry date and it may not always be practical or desirable to carry out retrofitting works around a sitting tenant – especially those who are older or have underlying health conditions.

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?

We would question whether the EPC and SAP ratings remain fit for purpose and would suggest that now is the time to review the approach to the data that is available on our homes. RICS has been working with a number of organisations to speed up the use of Unique Property Reference Numbers (UPRNs).

The UPRN is the Unique Property Reference Number and was created by the Ordnance Survey (OS). It consists of numbers of up to 12 digits in length. A UPRN also makes it possible to identify a property without needing to use personal data. The use of a UPRN could:

- Improve building, consumer and market safety
- Lead to more targeted and cost-effective enforcement of legislation
- Increase protection for tenants and a reduction of rogue landlords
- Reduce waste, save time and empower the consumer
- Increase income for the Treasury

Through the UPRN a prospective tenant could have better information on the home they are looking to rent such as energy usage, works done, gas safety certificate, electricity certificate etc. This data would also be available to local authorities and enforcement agencies, who (as long as an approved contractor has completed the works to the standards set) would be able to verify compliance without necessarily having to inspect a property or set in place potentially costly compliance databases.

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

Yes, however, consideration needs to be given to the requirements placed on listed buildings and those in conservation areas which may cause problems for landlords in carrying out retrofitting works. Landlords will need to work in conjunction with conservation officers and guidance should be provided to both.

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.

Fines for breaching the PRS Regulations should be proportionate and in line with measures for other breaches of regulations and take into account the level of harm that could be experienced by the tenant.

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.

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

See Question 26.

EXEMPTIONS

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.

Only if government does not review the timeframes for introducing the regulations.

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.

Yes. Not all landlords intend to become landlords, for example people who have to rent their home due to relocating for work or caring reasons. There is a considerable amount of information that landlords need to digest and act on and the six month exemption will allow them to do so.