

# **‘Improving the energy performance of privately rented homes in England and Wales’**

## **A response by the Federation of Master Builders**

**December 2020**

### **About the Federation of Master Builders**

The Federation of Master Builders (FMB) is the largest trade association in the UK construction industry representing thousands of firms in England, Scotland, Wales and Northern Ireland. Established in 1941 to protect the interests of small and medium-sized (SME) construction firms, the FMB is independent and non-profit making, lobbying for its members at both the national and local level. The FMB is a source of knowledge, professional advice and support for its members, providing a range of modern and relevant business building services to help them succeed. The FMB is committed to raising quality in the construction industry and offers a free service to consumers called ‘Find a Builder’.

### **Consultation response**

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.

N/A

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

N/A

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.

N/A

### **Chapter 1**

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 FMB supports the proposal for as many properties as possible in the privately rented sector to increase their energy efficiency rating to C.

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.

The FMB supports the use of metrics that track progress made on tackling fuel poverty. This is because measuring the impact of energy efficiency upgrades on a household and their day-to-day life, such as making tangible savings on fuel bills, is an important means of raising awareness of retrofit and its benefits among the public.

The FMB asked its members in November 2020 to identify the biggest barrier to scaling up retrofit in the UK. 1 in 5 (17%) cited a lack of consumer awareness of the benefits of a more

energy efficient home. Utilising metrics which demonstrate fuel bill savings is therefore helpful in driving up this awareness.

The FMB also supports the need for metrics that reward households taking up electric or low carbon energy sources, moving away from gas boilers. That the Primary Energy Rating considers gas boilers more efficient than electric energy sources represents a perverse incentive, and should not be incorporated into the PRS regulations.

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.

In terms of introducing 'a new tenancies' and 'all tenancies' distinction, the FMB supports the premise that natural trigger points should be leveraged where possible. These represent moments when the property is most likely to be empty. Thorough retrofit projects can be disruptive to households, and it is therefore advisable to deliver these works while the property is unoccupied.

Promoting retrofit upgrades while more general home improvement works are being carried out would be an approach that is sensitive to the way that the market currently operates. [Research](#) by the University of East Anglia found that just 1 in 10 consumers would consider retrofit-only upgrades, and this is supported by qualitative feedback from our members.

In terms of the timeline for introducing PRS regulations, this must be sensitive to the time it takes for the supply chain to grow, particularly with regards to the availability of skilled labour, to be able to deliver these measures in a way that ensures quality.

The complex and bespoke nature of retrofit necessitates experienced and qualified professionals. This means tradespeople risk being drawn away from competing sectors like house building and industrial/commercial into the retrofit sector.

This would compound the existing skills shortage in construction, and risk hampering delivery of the Government's competing policy priorities. [Research by the FMB](#) found that in September and October 2020, 1 in 3 builders (29%) were struggling to hire bricklayers, and 1 in 4 (35%) were struggling to hire carpenters. 13% were struggling to hire plasterers and the same number were struggling to hire general labourers.

More young people and career switchers must be encouraged into construction so that the overall volume of industry output can be maintained and grown. It typically requires two years to train an apprentice in a core trade such as bricklaying, carpentry and plastering, and the timetable for implementation must acknowledge this.

The timeline must also acknowledge that experienced tradespeople may need to complete additional qualifications to be able to complete retrofit works and gain the relevant qualifications. While upskilling on short duration courses demands less time than an apprenticeship, courses such as heat pump installation or Retrofit Coordinator should be fully funded and readily available to the industry to remove any barriers.

A skills strategy should be published and launched at the same time as the new regulations, to provide the support that is needed to business.

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.

Evidence provided by the Northern Housing Consortium and given to the Environmental Audit Committee as part of their inquiry into the energy efficiency of existing buildings found that the cost of retrofits per property could be as high as £24,300, in stark contrast to the £4,700 estimated by BEIS.

It is important that the policy recognises that £10,000 will not, in some cases, be sufficient to deliver the package of works that is needed. A more tailored approach, where the cost cap is responsive to the size and age of the house would create a more meaningful benchmark for landlords. The amount needed to be spent could be set according to the initial assessment of the property, in accordance with the whole house retrofit approach as stipulated by PAS 2035.

The labour element of the installation of energy efficiency improvements should be exempt from VAT to make more finance available for installing the retrofit measures. The impact of the VAT exemption should be closely monitored and extended to other sectors such as the owner-occupier sector if successful in driving up the level of retrofit works undertaken.

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

It is intended that as the market develops, retrofit works will become more cost effective. However, adjusting the cost cap for inflation would maintain the level of resources available to commit to retrofit.

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.

The policy proposal notes that 'fabric first' is not a set term, nor defined in legislation. It would be helpful if this term was defined so that it can be referred to as part of this policy development, and also as part of the Future Homes Standard development.

The FMB supports a 'fabric first' approach to retrofit. This is because it is the most sustainable approach, requiring less, lower energy usage and therefore lower running costs for tenants.

Any tightening of fabric should be accompanied by greater ventilation, and measures to reduce over-heating in the summer. These two areas should be treated holistically, and the building is treated as a system, to avoid unintended consequences.

## **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.

The FMB supports the proposal to measure improvements to both the energy efficiency of buildings in the PRS sector, and their environmental impact. These metrics are important to achieving net zero carbon emissions by 2050 while also tackling the key issues of fuel poverty and addressing health issues related to cold homes.

If this approach to the PRS regulations is adopted, the FMB would advocate for a skills gap analysis of assessors, to ensure that there are enough assessors with the appropriate skills to carry out both these surveys and ensure that accurate information is in place.

The proposal should bear in mind that adding an additional metric into the retrofit process risks adding another layer of bureaucracy and cost. The PAS 2035 approach to retrofit requires engagement with a range of consultants including Retrofit Co-ordinators, assessors, designers etc. and the policy should be sensitive to not introducing additional layers of consultancy fees and extra steps in the delivery process that could hamper output.

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.

N/A

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.

N/A

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

It is very important that the PRS regulations require builders carrying out the installations to be TrustMark accredited and adhering to standards PAS 2030/ 2035. This will ensure that work is completed to a high standard, and will avoid unintended consequences of poor build quality. This will also provide a route to redress, should it be needed.

Currently, there is no barrier to entry in the construction sector. Making retrofit works accessible to rogue traders looking to profit from the scheme, particularly if there is public funding involved, risks significant reputational damage to the construction industry and loss of public confidence in retrofit. Retrofit is complex, and should only be conducted by experienced and accredited builders. Allowing landlords the option of going for a cheaper, unregistered builder will lead to negative stories about retrofit in the media. The FMB is lobbying for a mandatory licensing scheme for UK construction companies to address these issues, working with TrustMark and others, but it is outside the scope of this consultation.

Publicly announcing that the PRS regulations require the use of TrustMark-registered builders could help to increase installer uptake in the Green Homes Grant scheme. Currently, members of the FMB are, in general, not seeking accreditation for the Green Homes Grant scheme because the time and financial requirements. This is despite the FMB being the largest TrustMark provider, and our steps to encourage members to take part. The hurdles are deemed to be too onerous, and not equivalent to the potential pipeline of work offered by a relatively short-running scheme. For example, one FMB member based in the Wirral estimated that it will cost him £26,000 and 160 hours work to become accredited for the scheme. The PRS regulations represent an additional pipeline of work that would incentivise builders to get accredited for both initiatives.

To support this, the Government must work with TrustMark to set up a clear framework and guidance for helping builders on to the PAS standard. This should include clear, publicly-available information, and flowcharts demonstrating how businesses achieve PAS in plain English. It should also include the provision of publicly-funded and readily available training courses to ensure all builders have access the necessary qualifications. Government communications should not make reference to a five day waiting time for gaining accreditation to the scheme, as have been used in the case of the Green Homes grant

scheme. The FMB feels that this is misleading, because it does not account for the PAS accreditation.

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?

N/A

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.

Yes, the FMB believes it would be important to review the regulations from 2030 to ensure that the housing stock is fully decarbonised and contributing to net zero carbon emissions by 2050.

## Chapter 3

### Compliance

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

Understanding of retrofit among the public is relatively low. Research by [NatCen for BEIS](#) found that the contribution of homes to climate change is not fully understood. Respondents to the NatCen survey rated heating and cooling in buildings 6.4 out of 10 in terms of its contribution to UK carbon emissions, but realistically this should be nearer to 8 out of 10.

83% of the [Climate Assembly](#) agreed that 'information and support funded by Government' is an important element of decarbonising heating and energy in the home. 72% said 'information or support provided by Government'.

The Government should fund and deliver a public awareness campaign improving understanding of firstly the impact of heating homes on the environment, and what retrofit means as a solution to this. This should not be limited to landlords. Utilising retrofit case studies provided by representative organisations, like the FMB, would help to contextualise these types of work and provide a human example. For further details see the recently published [National Retrofit Strategy](#) adopted by the Construction Leadership Council.

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?

The proposal should consider the extent to which Building Control should be the mechanism for enforcement and compliance. Building Control represents a pre-existing function of the local authority, already holding the necessary and relevant expertise to sign off these works. As Building Control will already be required to supply a sign off on building projects, this would streamline the process and incorporate a minimal cost for the landlord. This would also help with providing more data on the type of work being done.

Questions 18 – 32

N/A