

Summary of Existing Homes Alliance Scotland response – June 2017 Scottish Government consultation on energy efficiency and condition standards in private rented housing

Introduction

The Existing Homes Alliance Scotland is a coalition of housing, environmental, fuel poverty and industry organisations calling for urgent action to transform Scotland's existing housing stock and make it fit for the 21st century. We welcome the opportunity to respond to this consultation.

Improving the energy performance of Scotland's existing homes presents massive opportunities – helping to eradicate fuel poverty and its associated mortality and health problems; stimulating green jobs and reducing greenhouse gas emissions. Similar regulation is in place for England and Wales, and experience from Scotland, Europe and North America show that minimum standards, when combined with incentives and financial support, work well to drive investment for warmer homes – with both landlords and tenants winners.

To realise these benefits, the Scottish Energy Efficiency Programme Scotland must be an ambitious programme for low-carbon refurbishment of Scotland's homes, including a package of measures – attractive finance; the provision of free advice and support; and the introduction of a minimum energy performance standard for all private homes. This consultation on standards for the private rented sector represents an important step towards realising this vision.

These regulations should be taken forward in the wider context of SEEP and the forthcoming Warm Homes Bill, which offers an opportunity to address any barriers there may be for taking forward energy efficiency improvements, thereby facilitating compliance with regulations.

Regulation is necessary, effective and popular

Shelter Scotland recently undertook research on behalf of the Existing Homes Alliance Scotland into the views of private rented sector tenants on regulation of energy efficiency. The research¹ shows that there is very strong support for regulation of energy efficiency in the private rented sector, with 85% of adults in Scotland and 92% of all PRS tenants in favour of regulation of energy efficiency in private rented properties.

The report also found that private tenants:

- Wish their home was more energy efficient.
- Struggle to pay their fuel bills and keep their home warm.

¹ Scottish Government consultation on energy efficiency: the views of private tenants, June 2017, Shelter Scotland

- Feel powerless to deal with issues of energy inefficiency in their home and fear retaliation or inaction from landlords if they ask for too much.
- Are unable to 'vote with their feet' to choose energy efficient housing.
- Support the introduction of the minimum energy efficiency standard.

In a recent report from Bright Blue², an independent think tank, a survey of conservative party voters found that “70% of Conservatives support a new rule that all homes being sold must first meet a minimum energy performance rating, with some exemptions, such as for listed buildings or fuel poor households; 80% of Conservatives support introducing new building regulations to ensure people having large home renovations also include measures to improve a home’s energy efficiency.”

We know that good landlords already ensure that the properties they let out are well-insulated and affordable to live in, with many private properties already meeting the same high standards we see in the best of owner-occupied or housing association properties. These landlords know that warmer, drier properties are less likely to suffer from damp and mould. The tenants are more content with the property, and so there is less likely to be a high turnover. It is unfair that these landlords have to compete with a small minority who are less concerned for their tenants' wellbeing.

We expect that few people would have to be regulated because the foreshadowing of regulation will drive a market transformation in energy upgrades. In Boulder, Colorado, where minimum standards were put in place for the private rented sector, compliance took place well in advance of the required date, levels of investment were unprecedented, and many landlords upgraded properties well beyond the standard.³ Regulation of energy performance in the existing stock is working well in the social sector, and is already making an impact in Sweden, Germany, Denmark, and in several states in the US.⁴ In France, the sale of F and G -rated homes will be banned from 2025, with tightening of standards towards an A or B rating by 2050.⁵

Our position

The Alliance, along with many key stakeholders, believe that the Scottish Housing Quality Standard (SHQS) and now the Energy Efficiency Standard for Social Housing (EESH) has shown that energy performance standards can cut fuel poverty and transform cold, damp houses into warm, dry homes. **A minimum standard should be set for both private rented and owner occupied homes so all can share these benefits.**

² *Green Conservatives? Understanding what conservatives think about the environment*, 2017, Bright Blue.

³ Boulder Colorado’s SmartRegs: Minimum Performance Standards for Residential Rental Housing, Lawrence Berkeley National Laboratory, March 2012 <http://emp.lbl.gov/sites/all/files/mi-policybrief-3-16-2012.pdf>

⁴ http://assets.wwf.org.uk/downloads/wwf_policy_update_raising_the_standard.pdf

<https://www.theccc.org.uk/wp-content/uploads/2016/10/Annex-3-Best-practice-in-residential-energy-efficiency-policy-Committee-on-Climate-Change-October-2016.pdf>

⁵ <http://www.ukace.org/wp-content/uploads/2016/09/ACE-RAP-report-2016-10-Buildings-and-the-5th-Carbon-Budget.pdf>

In our view, the regulations should focus on upgrading the worst-performing homes where fuel poverty is concentrated, **setting a *minimum standard* of 'D' band on the Energy Performance Certificate scale at the point of change of lease.** The regulations should provide a lead in period, allowing sufficient time to plan for the improvements and a backstop by which all PRS properties should comply.

Over time, the regulations should work towards parity with the social housing energy efficiency standard, reaching EPC C by 2030. This will establish a clear route map for upgrade, giving landlords and industry the confidence to plan ahead and invest for the future.

We recognise that regulations on their own will not eradicate fuel poverty, nor will they cut sufficient carbon emissions, but they provide a *minimum* standard and landlords should be encouraged to take the opportunity to go further if they can.

Summary of key points:

The scope of regulations should include all privately rented domestic properties, including agricultural tenancies and holiday lets.

Rationale:

- There is no justification for a double standard in the energy performance of domestic housing – all tenants should benefit from warm, dry, and affordable to heat homes.
- For agricultural tenancies, the application of modern standards to these tenancies must be done in such a way that both tenants and landlords are encouraged to take action, and that tenants are not financially disadvantaged.

**The standard should be set at EPC band D at change of lease from 2021.
All PRS properties should meet the EPC band D by 2024 (backstop date).**

Rationale:

- Cost savings: a staged approach, starting with E, is estimated to cost more overall due to repeat interventions.
- Less disruption: a staged approach could cause more disruption for tenants.
- Longer lead-in time: Our proposal provides a lead in time of four years from 2017. This allows more time to prepare the new assessment process, develop the supply chain, put enforcement procedures in place, provide advice and incentives to landlords, raise awareness of tenants, and for landlords to plan the upgrades.

**The standard should rise to EPC band C at change of lease from 2027.
All PRS properties should meet EPC band C by 2030 (backstop date).**

Rationale:

- It is important to set out a long term trajectory to allow owners to plan. This has been the message from social landlords based on their experience with EESSH which set out standards to 2020 (from 2015) and is only now, in 2017, looking further ahead.

- Higher standards need to be set going forward to meet the climate change targets and address fuel poverty.
- Future PRS standards need to harmonise with those to be set for the social sector - EESSH 2.
- This regulatory standard will back up the Scottish Government's policy objective to improve the energy performance of the entire private housing stock. The Alliance is calling for the Scottish Energy Efficiency Programme to have *a policy objective* of raising the standard of *all private housing* to EPC band C or above by 2025.

A significant programme of engagement and support should be developed for landlords, tenants and the supply chain. This should include consumer protection measures.

Rationale:

- The lead in period should be used to engage with landlords and tenants through Home Energy Scotland, landlords' organisations, tenants' organisations and other stakeholders to ensure that everyone can comply with the regulation, and there is little or no need for enforcement.
- Many landlords and tenants are not aware of the benefits of good energy performance – for the property and the occupant – nor do they know the most cost-effective ways to comply.
- Landlords vary from large portfolio holders to 'accidental landlords' with one property. A range of financial support should be made available to meet different circumstances and encourage early compliance (eg loans and cashback).
- The lead in period is important to develop the skills and capacity in the supply chain throughout Scotland, working with the industry. Consumer protection measures should also be developed as part of the overall SEEP programme.

Enforcement of the regulations needs to be credible and well-resourced.

Rationale

- If regulation is to be effective, landlords and tenants need to believe the regulation is robust and credible.
- The civil fines proposed are probably not high enough to deter those landlords who want to avoid compliance, nor to justify a council taking a landlord to court.
- The use of rent penalty notices should be explored as it protects the tenant and motivates action by the landlord.
- The repairing standard should also be used to enforce the standard. This is an established process which has recently been enhanced through the option of a third party referral.
- Reform of landlord registration is a priority, as this could be a route for enforcement of the standard, as well as serving wider interests in improving the quality of the PRS.
- Adequate resources must be provided to councils to undertake their new duties, including transitional funding to prepare the way and build capacity before the duties are in place.