



Consultation Response

IMPROVING THE ENERGY PERFORMANCE OF PRIVATELY RENTED HOMES IN ENGLAND AND WALES

Date: 8 January 2021

Introduction

1. The Country Land and Business Association (CLA) is the membership organisation for owners and managers of land, property and business in rural England and Wales. Our 28,000 members manage around 10 million acres and operate over 250 different types of businesses.
2. Collectively, our members manage around a third of all rural private rented sector housing. They provide housing for local people, many of who are retired and/or on benefits. Our most recent member research suggests that on average, tenants stay at a property 7.5 years, with 30% of tenants staying 10 or more years.
3. Most of these homes are of traditional (pre-1919) construction and many are listed or within conservation areas. Because of this, profitability is often low due to high management and maintenance costs of older buildings, cyclical repairs and extensive refurbishment needed every 15-25 years. In addition, our members often charge less than the market rent to support local communities in the absence of social housing. 60% of respondents to our most recent member survey provided at least one Assured Shorthold Tenancy below market rent, with 24% of all Assured Shorthold Tenancies being let below market rent, in effect acting as a social landlord.
4. Our members are committed to helping the government achieve the 2050 net-zero target. They are currently engaging in many practices to reduce their emissions and many are undertaking 'carbon accounts' to measure and then manage their carbon emissions and assess where they can make improvements.
5. The CLA has long been very supportive of measures to mitigate climate change and we support regulation on this, but it has to be proportionate, transparent, consistent, properly-targeted and effective.

Key Points

6. Assessment Methodology

The EPC assessment methodology is based on a building of modern construction, despite a fifth of UK buildings being built before 1919. This usually considerably understates the actual thermal efficiency of traditional buildings and overstates their carbon impact, in particular solid walls, resulting in a lower energy efficiency rating than is warranted by actual performance and a loss of confidence in the system. In addition, an EPC often recommends inappropriate measures harmful to the fabric of a traditional building and to human health.

CLA Recommendation: RdSAP must be fundamentally reviewed by early 2024 so that u-values are accurate, it accounts for sequestered carbon and the circular economy in the calculation and recommends appropriate measures for traditional buildings, including listed buildings or buildings within a conservation area.

7. Policy Focus

EPCs are currently used as a tool to tackle both fuel poverty and carbon emissions. However, the energy efficiency rating (EER) used in the minimum energy efficiency standards is based on fuel cost only, which not only severely disadvantages rural homes which are off-gas grid and could have the unintended consequence of pricing out existing tenants, but will not deliver the required outcome on carbon savings.

CLA Recommendation: This policy should concentrate on carbon emissions, with the metric changing from fuel-cost to carbon-cost if this policy is to effectively decarbonise the housing stock. Fuel poverty should be addressed through better-targeted and more appropriate policies.

8. Timescale

Under the existing assessment methodology and whilst the metric remains based on fuel-cost, many off-gas grid, traditional homes will never reach EER band C, irrespective of the level of investment. In addition, with oil being phased out from 2028, many of our members do not know the best way to heat their rural homes in terms of capital cost, fuel cost, carbon cost and meeting the minimum energy efficiency standards.

CLA Recommendation: A requirement to reach EPC band C and/or spend £10,000 must not be mandated before the Government has a clear policy and support package for rural homes. Failing this, there must be a longer phase in period and the ceiling for rural homes must be proportional to local rent levels.

9. Impact to Rural Private Rented Sector

The £10,000 cost cap does not take into account the varying house types and rental levels across England and Wales. The increased cost cap will result in landlords selling or changing the use of their properties which will lead to a reduction in the PRS. Such a reduction in the rural private rented sector will have a significant bearing on the sustainability and cohesion of rural communities and the economy in rural areas.

Consultation Questions

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.

10. This policy will disproportionately impact the rural PRS. Tax and regulatory changes have reduced the economic viability of the PRS over the last few years. Based on a focus group with 40 CLA members, the additional cost burden which would arise from the proposed regulations would mean that some rural landlords would have no choice but to sell their property or change its use. Nearly half said they or their clients were considering selling or changing the use of one or more of their residential properties.

CLA Modelling: According to the Office for National Statistics, the median monthly private rent in England in 2019/20 was £700 and private rents increased by 1.3% in the twelve months to May 2019. If a landlord spends £10,000 on a property and increases the rent by 1.3% every year, the payback period would be 62 years. This does not account for inflation, which would all but negate the payback period.

Looking at it the other way around, using the same rent and investment as above, a payback period of 15 years would require an annual rental increase of 6%. This level of rental increase would not be possible, particularly in rural areas, where statistics from CPRE show that 9/10 rural local authorities are already unaffordable to key workers because the average private rent is more than 30% of their post-tax income.

11. Others would consider investing to meet new regulation despite the loss of profitability, provided the regulation was proportionate, consistent and effective.

CLA Modelling: According to the 2018 English Housing Survey (EHS), there are 551,000 properties in the rural private rented sector. 75.6% of homes in rural areas do not currently meet the proposed minimum standard of EER band C. Applied proportionally to the private rented sector, this accounts for 416,556 privately rented rural homes. If 12.4% of these are unable to meet EER band C (the percentage that, as of the most recent EHS statistics, do not meet EER band E) and as a result are sold or their use changed, there would be 51,653 fewer rural privately rented homes.

This would reduce the availability of homes for rent in rural areas by 9% which in turn would push up rural rents.

12. Rural areas already suffer from an affordability crisis and this reduction would only amplify that. It would harm the economy in rural areas, with rural businesses finding it harder to fill vacancies and it would harm social cohesion by pushing renters, who tend to be younger, away from rural communities. Depending on the proportion of those homes being converted to holiday lets, communities may find it more difficult to sustain basic services, such as schools, pubs and post offices.
13. A survey commissioned by the CLA found that Covid-19 has made 44% of people more likely to consider moving to the countryside versus just 9% saying the contrary. These findings align with recent trends from estate agents showing that most purchasers are

likely to be incomers from cities, putting greater strain on the availability of homes for local communities. When PRS properties are sold they will overwhelmingly be sold to new owner-occupiers, to whom most of this regulation, including the PRS MEES regulations and their costs, does not yet apply.

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

14. Yes – these proposals will impact the elderly and most vulnerable. Rural areas are ageing significantly faster than urban areas and in 2018, 25% of the rural population were aged over 65 compared to 17% of the urban population.
15. Our member research suggests that on average, tenants stay at a property 7.5 years, with 30% of tenants staying 10 or more years. Whilst in urban areas, there is a chance of upgrading a property in a void period ahead of the 2025 deadline, in rural areas this looks less likely.
16. There are significant practical and financial issues associated with undertaking substantial works with a tenant in situ. Wall insulation, floor insulation or a new heating system often require an empty property. Where would the tenant go during this period? Where would their furniture and belongings be stored? Landlords would often need to regain vacant possession, displacing an elderly or vulnerable tenant or register an exemption. In addition, many older tenants are worried that improvement works would result in an increased rent, which they would be unable to afford.
17. Many of our members let homes to local people below market rent (see introduction), which impacts on cashflow and profitability, making investment difficult. Even in other circumstances, the works required are likely to require financing, which will need reimbursing over time. It is often not viable to invest significant sums without reflecting it in a rent increase. Recouping the cost of improvements through increased rents may have the unintended consequence of pricing out an existing tenant.

MEMBER CASE STUDY: a CLA member has a cottage which is housing a vulnerable tenant at a rent well below open market value. The tenant heats the property with wood which they pick up locally. The property is insulated where possible and double glazed, but still below EPC E, If the landlord installed oil-fired central heating, or any other form of heating, the tenant would not be able to afford to run it. In any event the landlord would never get their money back in increased rent, and they do not want to dispossess the tenant who is happy living there.

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

18. The CLA understands the need for the building stock to decarbonise to contribute to climate change mitigation and help the Government reach its 2050 target. However, without a technical and financial support package, the target is simply unachievable for many rural homes. In contrast to urban homes, rural homes are significantly less likely to be heated by mains-gas and are more likely to be older, larger and detached and therefore cannot be decarbonised in the same way.

19. The Energy Efficiency Rating is based on the cost of heating a building paired with a buildings ability to retain that heat. According to the English Housing Survey Energy Report 2017, 76% of rural homes do not have access to mains-gas and the alternative heating options, such as oil, solid fuel or electric are more expensive, leading to a significantly lower EER.
20. The EER is calculated using the Reduced Standard Assessment Procedure (RdSAP) and this is at the heart of the problem. This assessment methodology is based on a building of modern construction and usually considerably understates the actual thermal efficiency and overstates the carbon impacts of older buildings, resulting in a lower EER. In particular, much evidence shows that the thermal efficiency of solid walls is greatly undervalued in RdSAP.¹
21. Under the current methodology paired with a metric based on fuel cost, most rural homes will struggle to ever reach Band C, irrespective of the level of investment.

MEMBER CASE STUDY: *‘Over the years we have upgraded a number of our properties, usually insulating floors, walls and roofs where possible and sensible given the type of construction, installing double glazing and installing new heating systems, although mains gas is never an option. In theory, the most renewable option we have is electric heating, but tenants hate it due to the cost. One situation where we spent in excess of £40,000 on a two-bed semi-detached cottage resulted in an EPC E rating, we installed electric central heating as the only alternatives were oil or LPG or a stand-alone renewable system. Despite the electricity being sourced from a renewable supplier this results in one star out of five on the assessment. We have never managed to get a rural property to better than a D standard, and would say that our refurbishments cost between £30,000 and £70,000 depending on size.’*

22. *CLA recommendation:* RdSAP must be fundamentally reviewed, significantly in advance of any 2025 deadline, so that it:
 - accurately assesses a building’s ability to retain heat, by ensuring accurate U-values, robust quality assurance in assessment, and greater ability to incorporate actual rather than default data, so that SAP/RdSAP ratings are trusted;
 - robustly measures the impacts of physical measures, so they are trusted because they predict correctly (rather than exaggerate) their benefits;
 - accounts for the upfront and end-of-life carbon costs of physical measures, and their lifespans, bringing sequestered carbon and the circular economy into the SAP calculation;
 - recommends measures which are effective and physically-appropriate, especially for traditional buildings, including listed buildings or buildings within a conservation area;
 - identifies buildings of traditional construction from the beginning of the assessment process, ensuring that assessment is by assessors with a sufficient traditional building’s accreditation, ensuring that EPC recommendations are appropriate, and marking them as traditional buildings in the EPC Register so that this is clear to enforcement officers.

¹ Glasgow Caledonian University, 2013, [Research Department Reports \(historicengland.org.uk\)](https://www.historicengland.org.uk/research-department-reports); Historic England, Energy efficiency and historic buildings: insulating solid walls, 2016 <https://historicengland.org.uk/images-books/publications/eehb-insulating-solid-walls/heag081-solid-walls/> and SPAB Energy efficiency in old buildings, 2014, [SPAB Briefing Energy efficiency.pdf](https://www.spab.org.uk/wp-content/uploads/2014/05/SPAB-Briefing-Energy-efficiency.pdf)

- the metric used to meet the minimum standards must be the environmental impact rating (carbon) rather than the energy efficiency rating (cost);

23. In addition to the issues with RdSAP, when our members have installed appropriate insulation (often some time ago perhaps as part of wider refurbishment), many are finding that the EPC assessor is unable to count it towards the calculation because it is not 'visible'. This is a particular problem for floor insulation or insulated plasterboard. This means that an inappropriate assessment is given and there needs to be a way for 'hidden' measures, whether installed recently or before the Regulations, to be counted towards the calculation.

MEMBER CASE STUDIES: *'Our listed 2* house is over 200 years old and attached to it is a run of former farm buildings plus one separate barn which have been converted into dwellings. At the time of each conversion, we were paying for all of the electricity and gas and therefore carried the out work to the highest possible level of insulation. However, when the properties were EPC rated, no account was taken of insulation in the walls, floor and sloping ceilings as it is all hidden and the EPC inspector is obliged to ignore the work.'*

And

'We let a grade II listed farmhouse and 4 farm cottages, and a listed townhouse all of which we have renovated over the past 7 years. The farm cottages were built c. 1900, 2 x semi-detached pairs. 1 pair has loft-conversions which were insulated under plasterboard, but the inspector assumed no insulation was present because he couldn't see it.

In the townhouse I insulated the cellar ceiling, and boarded it, and kept the bags from the insulation to show the inspector, but he refused to accept that as proof, and I would have had to unscrew newly painted plasterboard to satisfy him.'

24. **CLA recommendation:** Tradespeople must be allowed to issue a 'proof of installation' which is acceptable to and used by EPC inspectors. There must also be an agreed approach for older energy efficiency works which are not visible to count towards the EPC assessment.

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.

25. The current metric, the energy efficiency rating (EER), is based on fuel cost which not only disadvantages rural homes which do not have access to mains gas but can lead to perverse incentives for the installation of low-cost, high-carbon measures, such as oil heating. This is because replacing an old oil boiler with an A-rated oil boiler will often enable a rural, off gas-grid homes to reach EER band E, but would not enable them to reach EER band C, irrespective of its fabric and other measures.

26. The Government response to the 2018 consultation: *Energy Performance Certificates for Buildings* concluded that the cost-metric was the preferred option. The CLA agrees that the

cost-metric, as it was originally intended, is useful for potential purchasers to understand the energy efficiency of a property.

27. A switch to low carbon heating is fundamental to decarbonise rural homes which are often not suited to 'fabric first' measures, such as wall insulation or double glazing, due to their traditional construction and/or heritage characteristics.
28. However, policy driven by a cost-metric will not deliver the outcomes needed under the ambitious targets set out in the Sixth Carbon Budget by the Climate Change Committee. This is because low carbon heating is not necessarily cheaper than high-carbon heating and so will not always result in a higher EER. This can be illustrated by comparing an oil heating system with an air source or ground source heating system, a likely replacement for off-grid rural homes once oil is phased out.

Ground Source: According to the Energy Saving Trust, the potential annual saving from exchanging an average oil boiler with a ground source heat pump is £20, with a carbon saving of 3.9 tonnes/year. The Energy Savings Trust put the cost of installing a typical system at around £14,000 to £19,000.

Air Source: According to the Energy Saving Trust, the potential annual saving from exchanging an A-rated oil boiler with an air source heat pump is £80, with a carbon saving of 2,700 kg/year. The Energy Savings Trust put the cost of installing a typical system at around £9,000 to £11,000.

According to Which? the average annual cost of heating oil for both heating and hot water is £830, when consuming 17,000 kWh's per year based on the average price of kerosene across the UK in January 2020. An annual saving of £20 with a ground source heat pump would therefore represent a 2.4% reduction in fuel bills.

29. The minimal cost saving of switching from high-carbon heating to low carbon-heating would give a minimal increase to the energy efficiency rating if it remains based on fuel cost. The carbon benefit of installing low-carbon heating must be reflected in the ability for landlords to meet the minimum energy efficiency standards, otherwise there is limited incentive for landlords to invest such large capital sums.
30. *CLA recommendation:* The EPC to keep both the energy efficiency rating (EER) and environmental impact rating (EIR), but for the minimum energy efficiency standards to be based on the EIR.

MEMBER CASE STUDY: 'We have a pair of identical 3-bedroom cottages which were given a full renovation including insulated floors and underfloor heating, fully insulated walls and roofs, double glazed windows and insulated doors, air source heat pump etc. The two renovations were completed about 3 months apart and straddled 1st April (the date when I understand there is an adjustment to the EPC grading due to fuel costs). The result was that one dwelling was a band C and the other a band D. Our assessor couldn't believe it and spent some time investigating it because it made no sense. His conclusion was that it must be because of the price change in fuel that had been put into the Government software at that date.'

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.

31. As set out in our response to question 4, it will be very difficult and in many or most cases impossible for rural homes to reach EER band C under the current policy. If the tightening measures are to be brought in from 2025, then the assessment methodology must be fundamentally reviewed well ahead of that deadline, with a clear policy and support package for rural homes. That might be possible, but putting this in place ready for a date as soon as 2025 would require very quick action from Government, beginning now.
32. A 2028 introduction for new tenancies also poses practical issues for rural properties. This is because they are more likely to require significant work, such as a new heating system or floor insulation to meet a higher EPC band, but are less likely to have a void period. The average length of occupation of our members tenants in rural areas is 7.5 years compared to 4.1 years in all areas. Undertaking such works with a tenant in situ would be extremely difficult. Getting vacant possession to comply is just about to get more difficult: The Renters Reform Bill is set to propose the abolition of section 21 notices, which will remove the ability for a landlord to regain vacant possession of their property in order to undertake extensive energy efficiency works. Without a section 21 notice, a landlord would need to use a section 8 notice, citing a ground for regaining possession. However, there is not currently a 'ground' for 'undertaking extensive energy efficiency works', meaning a landlord would be unable to regain possession of a property in order to make the required improvements.

MEMBER CASE STUDY: 'I have recently renovated a let property. It is a Victorian Lodge House and, whilst oddly not listed, is a very attractive building. It only has two bedrooms and, when the renovation is complete, I would expect to rent it out for between £800-£850 pcm.

It has an EPC rating of E (45) with, allegedly, a potential of C. However, to achieve the E rating, I have installed a new LPG boiler, as there is no mains gas here. It has double glazing. I have insulated the loft and most of the ground floor and all external walls. The total cost of the energy improvement measures will be between £30k to £40k or even more when I have totted it all up excluding consequential work like re-decorating.

Under the proposed new rules, this expenditure would not be included in any Landlord's improvement requirement.

Then to get it to a C rating I would have to do the following

- 1. Insulate the remaining floor area – cost £4-6k, improving the rating by 1 point!*
- 2. Install solar water heating – cost £4-6k, improving the rating by a further 4 points (still an E).*
- 3. Add solar voltaic panels – cost £3.5 to £5.5k to get it to a D at 60 points*
- 4. Then add a wind turbine – cost £15-£25k to get it to a C at 79 points.*

Continued...

I do not think that solar panels or a wind turbine would be appropriate for this beautiful Victorian lodge house, set in lovely historic parkland and I am certain that the local authority would not give planning consent.

I do not think it is possible for this property, or indeed, any of my old estate cottages to actually achieve a C rating, although if they were on mains gas or if solid walls were properly taken into account then that might possibly be achievable.

I do not believe that it is in fact possible to spend any more on most of my cottages to improve the rating at all, whether a £10k cap or not.

In the example above, (if we assume that I would not get planning permission for items 2-4) I could improve the rating by 1 point [still an E] for a cost of £6k by insulating a floor and, under the current proposals I would have to do before I could claim an exemption, even though I have already spent £30-£40k on improvements. That does not seem sensible or reasonable.

The proposed expenditure far exceeds any reasonable rental return and would make renting out the houses economically unviable. [...] There are many who cannot afford to [buy their own home] and/or prefer to rent. What happens to them?'

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.

33. No. The CLA opposes increasing the cost cap to £10,000 whilst the assessment methodology is inaccurate, inappropriate measures are recommended on an EPC, and the metric remains cost-based rather than carbon-based.
34. Within the current system, a £10,000 cost cap would lead to a reduction in the rural private rented sector, and would lead to potentially high-risk interventions. The current £3,500 cost cap effectively precludes interventions which are high-risk for the fabric of a building and the health of its occupants (especially solid wall insulation). A £10,000 cost cap would be very different: most harmful measures can be carried out (at least badly) for less than £10,000. For example, EPC recommendations often recommend solid wall insulation, costing it at "£4,000 to £14,000". A £3,500 cost cap excludes this; a £10,000 cap appears to mandate it, but a sub-£10,000 job is especially likely to fail by using cheaper non-breathable materials leading to serious cold bridging and other problems for the building and occupants.
35. Moreover, many buildings require extensive work in addition to MEES works: a damp traditional building may well need £15,000 of work *before* any MEES works, which raises the potential total cost (before management costs) to £25,000. Enforcing £10,000 of work under MEES without the building work would have little point and would cause physical damage to the building (and occupant health), leaving a building that might then cost £25,000 to put right.

MEMBER CASE STUDY: *'The predicted costs of carrying out suggested works to improve the EPC rating are always significantly underestimated.*

As a matter of course we now dry-line all outside walls. On the face of it, especially reading HMG directives, this sounds wonderfully simple and straightforward, however the reality is more complex. Having done the dry-lining, the walls need re-plastering, windows often need new/altered recesses. Having created a smart new wall, you look up at the ceiling and realistically that needs to be re-done to keep in line, not to mention decorating. I believe any amount of insulation work sets off a trail of additional costs which I think the administrators of the scheme do not understand.

I recently invested over £17,000 ex VAT dry lining a cottage, upgrading the oil boiler and installing two new radiators. This does not include the subsequent decorating and plastering work required. It is very hard to make energy improvements without creating a lot of other work which makes costs add up significantly.

I also installed a new bathroom, new kitchen, created a utility room, updated the electrics and installed a new sewerage treatment plant, costing around £43,000 ex VAT. Although these works won't increase the property's energy performance, they are important for tenant safety and comfort.

36. The costs shown in EPC recommendations tend to understate even the construction costs, and take no account of management costs, fees or letting voids where relevant; so, the total costs will usually be 50% to 100% higher than EPCs suggest. These should be included in the cost cap.
37. The landlord's cost cap takes no account of the variable rental levels throughout England and Wales. Data from the ONS shows that the median monthly private rented in 2019/20 for homes in the North East was £495 compared to £900 in the South East. This is particularly important given the investment a landlord is required to make cannot be recouped through rental increases.
38. *CLA Recommendation:* For the landlords' cost cap, up to £10,000, to be scaled in proportion to the rental income. This would be fundamental in order to not disproportionately impact homes in lower-rent areas and homes provided below market rent anywhere (CLA survey evidence suggests that 60% of members provide at least one property below market rent).

MEMBER CASE STUDY: A member has four rural properties let to local, long term tenants. Ahead of the 2018 MEES regulations, the landlord invested in each property to improve its energy efficiency.

The table below shows the property EPC before any investment, the level of investment on relevant energy efficiency measures, the EPC after the investment, the open market rent and the actual rent charged.

No.	Initial EPC	Investment for MEES	Post EPC	Market Rent	Actual Rent
1	G	£6,227	F	£975 pcm	£710 pcm
2	F	£10,005	F	£1,100 pcm	£910 pcm
3	F	£7,104	G	£1,050 pcm	£1,050 pcm
4	F	£14,166	E	£975 pcm	£585 pcm

A total investment of **£37,502** on relevant energy efficiency measures over the four properties has made minimal difference to the EPC ratings, in one case reducing the rating due to an old coal back boiler being replaced with an electric heating system. This is largely due to the cost metric significantly disadvantaging off-gas grid homes.

The landlord lets three of the four properties below open market rent (on average, 28% below), to support local, long term tenants, effectively providing affordable housing. If the minimum rating was increased to band C, the landlord would be left with no option but to either get out of the rental market or to increase the rent, pricing out local residents and in turn, harming the local community, local businesses and the local economy.

39. In order to comply with the 2018 and 2020 MEES Regulations, many of our members have made substantial improvements to their properties, well in excess of the current £3,500 cost cap. Many have taken advantage of when a property has become void, often undertaking *all* appropriate and suitable recommended measures, knowing they may not get another void period for, on average, another 7.5 years. Despite this, many traditional, off-gas grid homes may only just reach EER band E and never be able to reach EER band C, irrespective of the level of investment.
40. Come 2025 and 2028, the huge levels of investment our members have made since 2017 would be overlooked and only work since 2023 will be counted. Given that many rural homes are unlikely to ever reach EER band C, rural landlords would then be mandated to spend an additional £10,000 on nugatory works in order to register an exemption.
41. A further issue of the new cost cap starting in 2023 is that landlords will have a strong incentive not to make improvements, particularly relevant if the property becomes void, presenting a good opportunity to undertake more substantial works, in advance of that date.
42. *CLA Recommendation:* The landlords cost cap must include all investment from October 2017 rather than from 2023 (in addition to, not including any investment made under the £3,500 cost cap).

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

43. No. The adjustment would not solve the fundamental issues as set out in our response to question 4 and question 7.

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.

44. No. The fabric first approach is potentially harmful for traditional buildings and mandating it reduces the flexibility a landlord has to select measures which are best suited to a particular property.
45. 'Traditional buildings' are generally defined as those built before 1919 with permeable solid walls, as opposed to cavity walls of modern construction. Solid walls absorb moisture and release it through evaporation, allowing the building to 'breathe', whereas modern construction forms a barrier that prevents moisture from entering.
46. Breathability and ventilation are key in traditional buildings to allow effective evaporation. Energy efficiency retrofit mandated by MEES Regulations, including double glazing, capping off chimneys and damp proofing methods can restrict the building's ability to breathe, leading to damp, mould and poor air quality. The most harmful measure, which can cause significant damage to both the fabric of a traditional building and to human health, is wall insulation: the need for moisture to move both in and out of a solid wall makes this measure highly risky for traditional building stock.²
47. The Impact Assessment to the consultation acknowledges that certain wall insulation systems may not be suitable in certain situations and have assumed that 25% of older properties that are more likely to be affected are out of scope for solid wall insulation. There are currently no scalable or reliable solutions for insulating solid walls and until resolved, solid wall insulation must not be modelled or mandated for any traditional properties.

² See BRE report: [Solid wall heat losses and the potential for energy saving](#) – a route-map for change – appendices A and B list the extensive problems with solid wall insulation.

MEMBER CASE STUDY: Traditional vernacular buildings in this part of Dorset have solid stone walls and no underfloor space. Some have flagstones laid on bear earth. They often also have no foundations so there is no possibility of excavating below floor level in order to make space into which to install underfloor insulation. External wall insulation would not be acceptable for a listed building; and would have the effect of preventing the walls from “breathing”. Internal wall insulation might be expected to lead to damp and mould in the artificial cavity created by the process; and since walls are not usually straight and corners are not right-angled this measure might reduce the size of a room by as much as 12 inches in each dimension thus reducing, for example, a double bedroom to a single.

I used to own an end-of-terrace house in Leeds built in the late 19th century (solid brick walls with no cavity) which benefitted some years ago from measures taken by Leeds City Council as part of an area regeneration project. One of the measures taken was to seal the walls externally. All seemed well when I signed off to confirm my satisfaction 12 months after the work was completed. About six months later the tenant reported damp and mould widely in the house. On investigation it was clear the problem was caused by damp sealed into the walls emerging inside the house since it could no longer be emitted outwards.’

Overwhelmingly those who provide privately rented accommodation want to do right by their tenants and wish to contribute to the reduction of harmful emissions. They would be able and willing to do much more if they were told what it is that they are being asked to do and given better guidance. It is difficult to work out from an EPC report what realistically can be done to improve a poor EPC score. I recently received an EPC report on a terraced 17th century listed building. The first recommendation was wall insulation. The second was underfloor insulation. The last recommendations were solar panels, unacceptable in a listed building in a conservation area, and a heat pump in the garden of a property which had no garden. It would have been helpful to have received a list of recommended measures as soon as the application for an inspection was submitted. It would be even better if such a list was generally available on request from local councils.

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.

48. Rather than a dual metric of EER and EIR, as explained in question 5, a single EIR metric would more effectively deliver the required net-zero outcome.
49. The increased cost cap to £15,000 for a dual metric would only exaggerate the impact to the rural private sector, resulting in even more privately rented homes being lost out of the sector.
50. The CLA is therefore opposed to this alternative.

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.

51. As set out in our answer to question 9, we do not think that measures should be mandated for dwellings built using traditional building methods until a number of conditions are fulfilled which would make such investment safe and future-proof.
52. If measures are mandated regardless, an affordability exemption is essential. We would be fundamentally opposed to it being raised to £15,000, as it would make the problems described in question 1 worse and £10,000 in all cases is still too high. A scaled landlord cost cap up to £10,000 would be a better alternative: it could mitigate the impact of the cost of energy efficiency upgrades on the viability of some properties with lower rent, and therefore may increase the likelihood of landlords deciding to stay in the PRS market.

Below is an illustrative example of how a scaled landlord cost cap could work:

Group 1 - £0 - £4,000 annual rent: £2,000 cost cap
 Group 2 - £4,000 - £8,000 annual rent: £4,000 cost cap
 Group 3 - £8,000 - £12,000 annual rent: £6,000 cost cap
 Group 4 - £12,000 - £16,000 annual rent: £8,000 cost cap
 Group 5 – over £16,000 annual rent: £10,000 cost cap

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.

53. There should not be an eligibility criterion for an affordability exemption. Instead, the affordability exemption should be based on a property's actual rental income, and assessed on a property-by-property basis.

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

54. There is considerable history of 'energy efficiency' works proving ineffective, and/or causing physical harm to existing buildings, through inapplicability, poor design, or poor execution. Quality assurance is therefore extremely important, particularly for heritage buildings.
55. However, we cannot currently support a requirement for all installers to be TrustMark registered because of the limited access to installers in rural areas and associated higher installation costs due to a premium charged for being registered.
56. The Green Homes Grant requires installers to be TrustMark registered. Feedback from members and from the wider sector has shown that very few installers have become TrustMark registered. Rural areas already have access to fewer installers and paired with this additional requirement, are struggling to find contractors to enable them to access the grant.
57. Government first needs to fix the outstanding accreditation and other technical issues with PAS:2035 and PAS:2030, and then consistently encourage demand so that designers and contractors are willing to invest in training and accreditation, for example by making successor schemes to Green Homes Grant continuously available until a critical mass of accredited designers and contractors has been created. If it was clear that funding will be

available throughout the medium term, but not in the long term, that should drive rapid take-up, at realistic cost.

58. Many of our members employ their own builders and maintenance staff directly who already undertake energy efficiency works such as installing loft, wall and floor insulation, low energy lighting or double glazing. However, TrustMark have said that landlords are unable to register their in-house builders in the scheme as there is a conflict of interest. If TrustMark is incorporated into energy performance improvement works, then landlords must be able to use their own employees, who are best suited to undertake the work.
59. Our members have also fed back that their previous experience with accredited installers from other Government funded schemes, such as the Renewable Heat Incentive or Feed in Tariff, have not been favourable. Installers have often been less skilled than their usual contractors yet more expensive, counter to the aim of the accreditation scheme. Our members often have their own trusted, small scale, local installers who would not join such a scheme due to prohibitive cost, but who would be best placed to deliver the desired outcome.
60. If TrustMark is to be embedded into energy performance improvement works, then it must be on a recommended basis not a mandatory basis. If it does become mandatory, then Government must ensure that registering is not prohibitively expensive or complicated by simplifying the process and that the Skills Funding Agency has sufficient funding and training for this sector in rural areas.

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?

MEMBER CASE STUDY: 'As part of our renovations, very often it is necessary for us to move the electric meter in a house and usually we have tried to take the opportunity to install an external meter cabinet box so there is no need for any meter reader to enter the dwelling in the future. Often, we have requested a smart meter but never has one been installed, merely the old meter moved and reconnected. If the meter companies were serious about ensuring smart meters were rolled out within a given timescale (which clearly, they are not and which timescale they have merely postponed as deadlines approach) then the efficient thing would be to ensure that whenever they have to alter or interfere with a meter that they replace it with a smart meter. When I suggested as much to those involved in the process, I was basically told that was not a very efficient use of their time, which I didn't understand.

On other occasions, we have responded to invitations to apply for smart meters, only to be subsequently told that they don't extend to our area because there is insufficient signal.

61. A number of our members have wanted to install smart meters as part of a property refurbishment, but have been told it is not possible due to a lack of connectivity. The roll out of smart meters and benefits of such a technology must be accessible to all homes, irrespective of location and so Government must ensure all rural homes are connected.

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.

62. It is estimated that the core proposals in this consultation would bring nearly 77% of privately rented homes to EPC Band C by 2030. The 27% of homes which do not reach EPC Band C are most likely to be older and/or off-gas grid homes and under the current assessment methodology and fuel cost metric will not be able to meet tighter requirements. We are not convinced, therefore, that further tightening would be effective or achievable.

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

63. Our members want to decarbonise their homes, reduce fuel bills for their tenants and improve their tenants' comfort, but often do not know the best way to do this, whilst also getting confused by the current Regulations.
64. There must be a change of emphasis by local authorities from enforcement to support. If local authorities have an advisory service which can sign post information and support landlords in complying with the Regulations, there will be more positive engagement at all levels with better outcomes.
65. This is particularly important for rural landlords, who will find it harder to meet the tightened minimum standard and positive engagement, targeted advice and a pragmatic approach might enable more rural, traditional off-gas grid homes stay in the private rented sector.

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?

66. As with our answer to question 16, the emphasis should be on supporting landlords to comply rather than enforcing compliance. Rather than creating a new exemptions database, it would be more effective, and probably faster and cheaper to adapt the existing EPC Register so that it can be used by local authorities to identify and track compliance. Given the trajectory of other tenures being required to meet minimum standards in the future, this would also avoid the need for separate exemption registers to be created for social housing and owner-occupied housing.
67. This could be done by the assessor when registering the EPC. It would include identifying if the property is privately let, socially let or owner occupied and then identifying if it needs to comply with MEES. This would require additional training for the assessors but would streamline the process and negate the need for supplementary, costly databases.
68. If a new PRS property compliance and exemptions database were to be created, then the same principle should be applied as above: when an EPC is uploaded to the EPC Register, the assessor must confirm whether it needs to be simultaneously uploaded to the new PRS property compliance and exemptions database. This would negate the need for an additional upload and additional fee to the landlord.

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?

69. We do not agree that there should be a registration fee because we think that either of the two existing databases should be improved and used for compliance purposes. The improved database could then continue to be free of charge rather than passing it to a third party at an additional cost. This would seem the most cost-effective route for everybody.
70. There must be genuine justifications for doing something different, which take into account the management time of using something different, the cost incurred to administer it and cost incurred for people who register the properties, compared to what could be achieved using the existing system.
71. Given the figures in Table 1 of the consultation, it would be reasonable to treat 10 properties as the threshold for the maximum fee, which should be £300.

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.

72. No – *The Energy Performance of Buildings (England and Wales) Regulations 2012* legally requires a property to have an EPC on marketing for sale or rent and all advertisements of the property must clearly show its energy rating. The compliance regime also imposes penalties for landlords who are in breach of the minimum energy efficiency standards. Responsibility for compliance must rest with the property owner as the only party who are able to carry out energy efficiency improvements.

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.

73. No – this exemption is important for properties which have had to undergo substantial refurbishment in order to help reach the minimum energy efficiency standards. It allows such properties to be marketed before the completion of works and before an EPC can be undertaken which minimises the void period.
74. The exemption is also important in rural areas, where landlords may struggle to find an available assessor within the required timeframe.

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?

75. Most regulatory regimes need an element of enforcement. However, the emphasis needs to be on creating a regulation and system which landlords have confidence in and want to comply with. If landlords were failing to make changes which have positive whole-life net carbon impacts, and are sensible, cost-effective, undamaging, and well-communicated, then enforcement would be justified. But it would be counter-productive to enforce measures which are based on inaccurate measurement, have negative overall carbon

impacts, are not cost-effective, would be badly designed and implemented, and/or would damage buildings and occupier health. If Government doubles down on the current approach, adding in high fines for non-compliance, it may encounter complex enforcement problems. That would further demonstrate that the system needs to be changed: one of the key indicators of good regulation is that it needs only limited enforcement because most people want to comply with it.

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

76. No - this is not considered to be the most effective use of time or resources by local authorities and could be quite intrusive. Rather than property inspections, there must be a level of trust that what is on an EPC is correct at time of assessment.
77. Rather than resources going into property inspections, resources must be focused on supporting and helping landlords meet the requirements.

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

78. Yes – but only if done correctly. A number of our members have received strongly worded, inaccurate letters from a local authority who is part of the BEIS enforcement trials. These letters incorrectly assumed that a let property needed to comply with the minimum energy efficiency standards, without checking when the tenancy agreement started. This resulted in a loss of confidence in the system and our members were then less willing to help the local authority with their enforcement.

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

79. Yes - it is usually sensible to have a post-improvement EPC and the cost should be included in the cost cap.

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

80. No - this is not considered necessary and could lead to practical issues. For example, if a new EPC was required in the middle of a tenancy and the only way to meet the required standard was to undertake major works, the landlord would either not be able to install the measures and would be in breach or would need to regain possession of the property, displacing a tenant which would not always be an option, particularly if the abolition of section 21 is introduced. As mentioned in our answer to question 6, there is currently no section 8 notice ground for a landlord needing to regain possession of a property due to required energy efficiency works.

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?

81. It is crucial that, in the words of the headings in the Government's new EPC Action Plan, EPCs and their recommendations are "accurate, reliable and trusted", and "engage consumers" and "drive action". It is clear from the 2018 EPC consultation, in which only 3 per cent thought EPCs reliable (Action Plan, 1.1), and only 6 per cent thought they were

effective at encouraging action (Summary of Responses, 4.1), that this is not the case so far.

82. The most recent SAP methodology does not deliver appropriate recommendations and a fundamental review of SAP is required, as recommended in question 4. This is particularly important for rural, traditional homes, where some features are overlooked and inappropriate, harmful measures are often recommended.
83. For example, internal window shutters and wooden panelling on internal walls are not included in the assessment, despite being important energy efficiency measures in older, traditional homes. In addition, fire places are either overlooked or undervalued. Open fires and wood burners provide an important, renewable form of heating to many rural homes and are key to provide effective ventilation. Open fires often penalise a property's EPC score and a wood burner is all but ignored in the rating.
84. Recommended measures on an EPC are often inappropriate for traditional buildings due to the need for a traditional building to breathe, as explained in question 9, being ignored. Measures which restrict a buildings ability for moisture to move in and out, such as solid wall insulation, can lead to damp and mould, resulting in poor air quality and harming the structure of the building.³
85. *CLA Recommendations:* To get EPC recommendations to drive action, without perverse or unintended consequences, it will be important to:
 - Ensure that the benefits of all recommendations have been correctly measured (see Q4 above), and that the risks of all recommendations have been correctly assessed;
 - Incorporate into the selection and ordering of recommendations the carbon impacts of the recommendations themselves, and their lifespans. Building owners are increasingly aware that many current recommendations have high and perverse carbon impacts, and that a circular-economy approach is essential;
 - RdSAP must identify buildings of traditional construction, listed buildings and buildings within a conservation area from the beginning of the assessment process, to ensure that EPCs do not include recommendations which would be inappropriate. This would also enable more effective advice, support and enforcement by local authorities.
 - These changes will make EPC recommendations much more convincing to landlords, by for example pushing draughtproofing (highly effective, with short payback periods and low risk, but side lined in current EPCs) up the list, and solid wall insulation (much less effective than SAP suggests, and much riskier) down the list. Once landlords are confident that the recommendations are reliable, they are much more likely to want to implement them.

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

86. No - the principle that underlies the Building Regulations: that traditional and heritage buildings should comply, but only up to the point at which compliance would not “unacceptably alter their character or appearance” is a sound principle and Government should not depart from it in MEES (or in Building Regulations).

³ See BRE report: [Solid wall heat losses and the potential for energy saving](#) – a route-map for change – appendices A and B list the extensive problems with solid wall insulation

87. Traditional and heritage buildings, especially (but not only) if listed or in conservation areas, already involve very high management and maintenance costs. Adding to those would not be in the public interest, making ownership of such buildings even less attractive, reducing their value, discouraging their maintenance, and encouraging their sale either to owner-occupiers not affected by MEES, or to poor landlords who will routinely ignore MEES (and other) regulation.
88. *CLA Recommendation:* The current system should remain in place, but the guidance must be improved so that it is consistently applied by professionals, building owners and local authorities. The fundamental review of SAP/EPC recommended in question 4, is key to the effective and safe decarbonisation of our heritage, so that the actual thermal efficiency and carbon impacts of these buildings are accurately assessed, paired with recommended measures which don't cause harm.
89. If policy were changed to require all listed buildings and those in a conservation area to have an EPC, then there must be a new, separate exemption from the minimum energy efficiency standards, to ensure that building owners are not required to carry out inappropriate, often harmful improvements that could damage the character or appearance of our most important buildings.

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.

90. As above, Government should focus on getting the regulation right, and then on support, rather than punishment. Fines should then be set in the context of the profitability of the residential letting. Fines of anything like £30,000 would be wholly disproportionate.

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?

91. No – this is not considered necessary, especially given the very low level of tenant take-up of the 2016 ability to request 'energy efficiency improvements.

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

92. No – this is not considered proportionate or the best use of resources, particularly given local authorities are already very stretched.

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.

93. As set out in our answer to question 18, it is unclear why a separate database needs to be created by a third party whilst there are two existing databases, either of which could be improved.

94. Yes – it would be useful to get owners engaged in the updated/new system early. Many of our members struggled with the current exemptions register, often coming up against software faults which have never been resolved. Opening the updated/new database early would enable any issues to be resolved before the Regulations come into force and encourage landlords to be proactive.
95. It would be useful for it to open a year ahead of incoming regulations to encourage sooner take up by landlords.

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 – the exemption should apply to all new landlords.

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