

FAIRER SCOTLAND DUTY

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| <p>Title of Policy or Programme</p> | <p>Energy Efficient Scotland – The Energy Efficiency (Private Rented Property) Scotland Regulations 2019</p> <p>Part 1: Minimum energy efficiency standards in private rented housing</p> |
| <p>Programme Lead and Contacts</p> | <p>Stephen Garland, Programme Manager Karen Major, Team Leader, Private Rented Sector Energy Efficiency Standards Trudi Packman, EES Programme Management Office</p> |
| <p>Summary of aims and expected outcomes of strategy, proposal, programme or policy</p> | <p>The aim of the policy is to improve the energy efficiency of the worst performing private rented sector housing, to help reduce energy consumption and greenhouse gas emissions. It is the first part of a two-part Scottish Government consultation – the second part considers proposals in relation to the condition of private rented housing and is subject to a separate Fairer Scotland Assessment.</p> <p>Energy use in our homes accounts for around a quarter of Scotland’s total energy consumption, and this policy will make a contribution to reducing carbon emissions by 42% by 2020 and 80% by 2050 in line with the requirements set out in the Climate Change (Scotland) Act 2009.</p> <p>The policy also aims to ensure that tenants in the private rented sector have access to good quality energy efficient homes and recognises that landlords must be able to continue to maintain and expand the sector.</p> <p>The new Standard will contribute to the Scottish Government’s Greener and Healthier Strategic Objectives.</p> <p>It will impact on the following National Outcomes:</p> <ul style="list-style-type: none"> • We live in well-designed sustainable places where we are able to access the amenities and services we need. • We reduce the local and global environmental impact of our consumption and productions. <p>Minimum standards for energy efficiency in homes in the private rented sector (PRS) will affect landlords and tenants. The minimum standards should make the least energy efficient homes in the PRS warmer and more</p> |

comfortable, and are likely to reduce fuel bills and contribute to reducing fuel poverty. Owners will be responsible for making improvements required to meet the minimum standard for energy efficiency.

In 2017, 95,000 Scottish households in private rented accommodation (or 28% of PRS households) were fuel poor, spending more than 10% of their income on fuel .

Overall, in the general population, 39% of one or two member households with at least one resident aged 65 or above are fuel poor, compared with 12% of families, and 21% of other households. As are 31% of households where one or more person is long-term sick or disabled (LTSD) are fuel poor compared with 2520% of households with no one who is LTSD .

Achieving the desired outcome will be dependent on private landlords taking action to ensure compliance with the new standard. In the consultation we propose that local authorities are responsible for monitoring and enforcing compliance with minimum standards by landlords.

- There are a number of reasons why landlords may not carry out work, such as lack of access or where the work is not technically feasible. The consultation proposes limited flexibility in the enforcement processes to take account of these situations.
- The consultation seeks views on the introduction of a mandatory landlord contribution to retrofit and improve the energy efficiency of their private rented sector property. We are proposing that landlords be required to spend up to £5,000 on improving a property from EPC Bands F and G to the minimum standard of Band E (backstop date 2022), then a further £5,000 to improve the property to EPC Band D (backstop date 2025). The consultation also looks to understand views on existing government incentive schemes available for energy efficiency improvements.

We aim to complete the assessment by May 2019. This assessment will be considered when reviewing the implementation of the standard.

Future changes to energy efficiency standards beyond those being implemented would be taken in the context of

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| | <p>this monitoring and review process and within the wider contribution of standards to the Climate Change Plan and the development of a new long term strategy for tackling fuel poverty. Future changes to energy efficiency would be subject to a further Fairer Scotland Assessment.</p> |
| <p>Summary of evidence</p> | <p>There is currently a range of support to help private landlords and tenants to improve the energy efficiency of their properties and reduce their fuel bills. In terms of financial support from the Scottish Government this includes:</p> <ul style="list-style-type: none"> • Warmer Homes Scotland (WHS) provides interest free loans to support eligible householders with their contributions towards the cost of grant funded energy efficiency measures being delivered through the Home Energy Efficiency Programmes WHS programme. The maximum amount for WHS loans has been increased from £5000 to £10,000 to help support new renewable measures which have been added to the scheme. It is targeted at the most vulnerable households and helps install energy efficiency and renewable energy measures. Further information on Warmer Homes Scotland is available by calling Home Energy Scotland on 0808 808 2282. • Home Energy Scotland (HES) makes interest free loans of up to £15,000 available to private sector households to support installation of energy efficiency measures. Loans are available to owner occupiers, with private landlords also eligible to borrow to fund measures in a maximum of 3 properties. Up to 25% cashback has been available on loans for most energy efficiency measures. In May 2017, the loan was combined with renewables for a more cost-effective and streamlined process for householders wanting to install both energy efficiency and renewable measures. Further information is available by calling Home Energy Scotland on 0808 808 2282.. • Resource Efficient Scotland SME (Small and Medium Enterprises) Loans¹ Scheme provides interest free loans of £1,000 to £100,000 to Scottish businesses that fall within the European Commission definition of SME (including private sector landlords) to finance the installation of |

¹ <https://www.resourceefficientscotland.com/SMELoan>

energy, resource and water efficiency measures. Further information on RES SME loans is available by calling 0808 808 2268.

- **Home Energy Efficiency Programme for Scotland (HEEPS) Area Based Schemes (ABS)²** gives interest free loans to support householders pay their contributions towards the cost of grant funded insulation measures delivered through the Scottish Government's Home Energy Efficiency Scotland (HEEPS) Programme. Local authorities select priority areas for delivering programmes and can supply further information if needed.
- **The HEEPS Equity Loans Pilot³** is currently available to homeowners or private rented sector landlords in eight local authority areas (Perth and Kinross, Stirling, Dundee, Glasgow City, Inverclyde, Renfrewshire, Argyll and Bute or the Western Isles), we will look to expand availability to other local authority areas going forward. HEEPS Equity Loans enable householders to make energy improvements and repairs to their properties. Funding is borrowed against the asset value of the property and there are no ongoing repayments. The householder pays back what they've borrowed when they sell the property or when the last applicant for the loan is deceased.
- As well as funded support, private sector landlords and tenants can get **free and impartial advice⁴** from Home Energy Scotland (HES) on energy saving, renewable energy and access to funding, including access to schemes provided by the UK Government. HES can direct people to loans and grants, as appropriate, and more information can be found online or by calling 0808 808 2282. The Resource Efficient Scotland (RES) programme, funded by the Scottish Government, offers free, specialist advice and support to businesses to implement energy, resource and water efficiency measures that will reduce carbon emissions and translate to cost savings.

As we introduce these regulations we propose to introduce new tailored support for the Private Rented Sector, both for landlords and tenants.

² <https://www.energysavingtrust.org.uk/scotland/grants-loans/heeps>

³ <https://www.energysavingtrust.org.uk/scotland/grants-loans/heeps/heeps-equity-loan-scheme>

⁴ <https://www.energysavingtrust.org.uk/scotland/home-energy-scotland>

Summary of assessment findings

The Scottish Government has confirmed that we will use the Energy Act 2011 to provide a legislative framework for minimum standards of energy efficiency for the private rented sector.

These regulations will apply from the start of a tenancy. By doing this we can ensure that tenants are living in homes that have met the minimum EPC standard.

For landlords, a property must not be let if it does not meet the minimum standards or have a valid exemption.

In 2017 we consulted on proposals to improve the energy efficiency and condition standards of privately rented housing in Scotland . The consultation explored:

- the need for setting minimum energy efficiency standards in private rented housing, setting out the proposed scope of minimum standards;
- how the standard would be implemented at the point of rental;
- proposals for raising the minimum standard over time, and potential backstop dates for regulatory compliance;
- what would be needed in a new assessment tool to support the introduction of minimum standards;
- and sought views on the impact of these proposals.

Informed by this consultation, the Energy Efficient Scotland Route Map confirmed our intention to bring forward regulations based on Energy Performance Certificates, requiring landlords of privately rented homes to meet minimum EPC standards from April 2020.

Initially minimum energy efficiency standards will be introduced under Section 55 of the Energy Act 2011, and will require landlords of privately rented homes to ensure their properties achieve EPC Band E from 1 April 2020 at a change of tenancy, and then EPC Band D from 1 April 2022 at a change of tenancy.

In May 2018 we asked further questions to develop our thinking on the private rented sector and the draft regulations and guidance presented here have been informed by that. Our consultation, due to be published in 2019, develops the approach informed by that and sets out the draft regulations and draft guidance which will then be laid in Parliament after the Summer recess subject to securing a suitable Parliamentary timeslot.

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| | <p>Through this consultation we are seeking to raise awareness of the standards proposed and the means by which they will be introduced. We will also be seeking views on the nature of the guidance to support the Regulations and ensure that landlords and tenants alike are confident that sufficient information is available to them to begin implementation of the standards required.</p> |
| Sign off | <p>Name: David Signorini</p> <p>Job title: Deputy Director Head of Better Homes Division SRO for Energy Efficient Scotland</p> <p>Date: 16th May 2019</p> |