

Some facts for you!

1. 330, 000 Privately rented homes in the UK with an F or G EPC rating
2. 50% of landlords unaware that the new legal standard is EPC band E
3. 1st April 2018 – new tenancies require property to be EPC E or above
4. 1st April 2020 – all tenancies must comply
5. Only certain properties are exempt – please enquire for more information.
6. Fines – from £1000 to £5000 fines for non compliance.

Average Annual Cost of Energy

Data shows that the average annual cost of energy for an EPC band G property is £2,860, and £2,180 for an F rated property. This contrasts with an average annual cost of £1,710 for an EPC band E property⁶. Therefore a tenant whose home is improved from EPC band G to band E could expect to see their energy costs reduced by £1,150 a year so long as there were no wider changes in how they use energy in the property.

Research shows (2016 Sustainable Homes)

- as homes become more efficient, they are void for a shorter period of time (31% less for band B properties than E or F);
- Cold homes have an average of 2 more weeks of rent arrears each year than higher efficiency homes,
- the wider costs of tackling rent arrears and voids are significant and can be reduced. Costs related to chasing overdue rent payments (including legal and court costs) decline by 35% for more efficient homes.

What's the government doing about it?

The government has published the long-awaited guidance on the Minimum Energy Efficiency Standard for non-domestic properties.

The Minimum Energy Efficiency Standard (MEES) for both domestic and non-domestic properties comes into effect on 1 April 2018 - just a few months away!

From that date, landlords will not be permitted to grant a lease of a property with an EPC (Energy Performance Certificate) rating of F or G unless they have made all possible cost-effective energy efficiency improvements, or one of the exemptions applies. For this purpose, 'cost-effective' broadly means that an improvement pays for itself within seven years.

The regulations that bring MEES into effect - the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 - are complex and difficult to understand. The **guidance notes issued in October 2017** sets out for the first time in plain language the steps that landlords are required to take in order to comply with the new requirements.

So, what do I need to do as a landlord?

- 1. Check the status of your EPC. Ensure that it has an A, B, C, D or E rating. If so, then you need to do nothing. Some dwellings do not require an EPC and therefore fall outside the regulations.*
- 2. If the rating is an E, F or G then action need to be taken.*
- 3. If the tenancy is to start from 1st April 2018 then certain energy saving measures need to be undertaken on the property to ensure compliance. The latest EPC will contain advisory measures that can improve upon the energy efficiency of the property to increase its EPC rating to at least an E or above.*
- 4. What if I can't afford to pay for the measures? Since 2017 The Green Deal has been active to assist households to pay for certain energy saving measures. The following box explains this in more detail:*

The Green Deal and Pay As You Save Finance

The Green Deal enables households and property owners to take out loans to pay for energy efficiency improvements in their homes or rental properties, with repayments made through the electricity bill for the improved property. Repayments are made on a “Pay As You Save” (PAYS) basis: after the improvement has been made, the household begins to save energy, their energy bills are less than they would have been without the improvement, and these savings are used to repay the loan.

The finance mechanism includes a principle called the “Golden Rule”. This states that the first year’s repayments must not exceed the estimated first year saving, and the overall repayment period must not exceed the lifetime of the measures installed. A mechanism exists for owners to pass the loan on to future occupants of the property.

Green Deal finance is one way that landlords can meet their statutory requirements with no up-front cost: the electricity bills at the rental property (with a Green Deal charge attached) are paid by the tenant rather than the landlord. A tenant who pays the Green Deal loan for as long as they pay the electricity bill at the property should enjoy energy bill savings equal to or greater than the charge.

5. An important point to note is that the Regulations state that landlords ‘only need to undertake improvements which can be made without incurring a cost. So, if suitable ‘no cost’ finance cannot be obtained for a particular property, the landlord would need to register for an exemption for that property rather than improve it to E standard.’ With the availability of the Green Deal this is seen as a ‘no cost’ option that can be used by landlords.
6. **UPDATE** 20th December 2017!! Latest proposals suggest a £2500 cap on direct costs for landlords.

The average annual energy bills by EPC band (2017 Government statistics)

EPC Band	Average Annual Energy Bills, SAP-based (2014)
A/B	£750
C	£1,060
D	£1,330
E	£1,710
F	£2,180
G	£2,860

7. If the landlord believes that an exemption (EPC F or G ratings) applies to their property details will need to be provided along with sufficient evidence to self certify an exemption on the central register. The exemption will last for 5 years, if accepted. The public will have access to certain information contained on the register. Providing false or misleading information on the register can result in a fine of up to £1000.
8. Enforcement of the regulations will be undertaken by each local authority.

Green Deal Finance Case Study – Landlord ‘No Cost’ upgrade plan to from an EPC ‘F’ rating to a fully Compliant ‘E’ rating. Tenants save on energy bills as well.

Green Deal Finance Case Study

The property in this case study is a private rented semi-detached two bedroom house built between 1900 and 1929:

25 May 2017 RRN:		Energy Performance Certificate		
Recommendations				
<p>The measures below will improve the energy performance of your dwelling. The performance ratings after improvements listed below are cumulative; that is, they assume the improvements have been installed in the order that they appear in the table. Further information about the recommended measures and other simple actions you could take today to save money is available at www.gov.uk/energy-grants-calculator. Before installing measures, you should make sure you have secured the appropriate permissions, where necessary. Such permissions might include permission from your landlord (if you are a tenant) or approval under Building Regulations for certain types of work.</p> <p>Measures with a green tick  may be supported through the Green Deal finance. If you want to take up measures with an orange tick  through Green Deal finance, be aware you may need to contribute some payment up-front.</p>				
Recommended measures	Indicative cost	Typical savings per year	Rating after improvement	Green Deal finance
Flat roof or sloping ceiling insulation	£850 - £1,500	£ 75		
Room-in-roof insulation	£1,500 - £2,700	£ 246		
Internal or external wall insulation	£4,000 - £14,000	£ 243		
Floor insulation (suspended floor)	£800 - £1,200	£ 78		
Low energy lighting for all fixed outlets	£60	£ 45		
Hot water cylinder thermostat	£200 - £400	£ 26		
Heating controls (room thermostat and TRVs)	£350 - £450	£ 169		
Replace boiler with new condensing boiler	£2,200 - £3,000	£ 211		
Solar water heating	£4,000 - £6,000	£ 43		
Solar photovoltaic panels, 2.5 kWp	£5,000 - £8,000	£ 278		

The key recommendations to improve the property are noted on the EPC image above.

The household’s estimated annual cost savings for replacing the boiler were

£211 if combined with a number of other recommended measures such as insulation, or £321 if installed as a standalone measure. Typical annual savings based on the Occupancy Assessment, for boiler replacement alone, were £451.

The landlord decided to proceed with replacing the property’s boiler and installing new heating controls. Total cost to install both measures was £3,200 which was fully funded under a Green Deal Finance Plan.

The repayment cost is £1.20 per day paid through the tenant’s electricity bill with a total annual cost of £438 paid over the lifetime of the measure which is 12 years.

This results in a cost saving of £13 annually for the tenant on their energy bills while the landlord has upgraded their property EPC rating from F(30) to E(49).

Measures fundable under the *Green Deal Finance Mechanism - The Green Deal (Qualifying Energy Improvements) Order 2014 Schedule*

- air source heat pumps;
- biomass boilers;
- biomass room heaters (with radiators);
- cavity wall insulation;
- chillers;
- circular pumps;
- cylinder thermostats;
- draught proofing;
- duct insulation;
- gas-fired condensing boilers;
- ground source heat pumps;
- hot water showers;
- hot water systems;
- hot water taps;
- external wall insulation systems;
- fan-assisted storage heaters;
- flue gas heat recovery devices;
- heating controls for wet central heating systems or warm air systems;
- heating ventilation and air-conditioning controls (including zoning controls);
- high performance external doors;
- hot water controls (including timers and temperature controls);
- hot water cylinder insulation;
- internal wall insulation systems (for external walls);
- lighting systems, fittings and controls (including rooflights, lamps and luminaires);
- loft or rafter insulation (including loft hatch insulation);
- mechanical ventilation with heat recovery systems;
- micro combined heat and power

- micro wind generation
- oil fired condensing boilers
- photovoltaics
- pipework insulation
- radiant heating
- replacement glazing
- roof insulation
- room in roof insulation;
- sealing improvements (including duct sealing)
- secondary glazing
- solar blinds, shutters and shading devices

GREEN DEAL