

Why is energy efficiency important for landlords?

As a landlord you will be aware that the energy performance of housing has become increasingly important with rising fuel prices and government targets to reduce carbon emissions. Prospective tenants may be increasingly concerned about rising fuel bills and therefore look to the energy performance of a rental property when considering their next move.

Making your rented properties more efficient could add value, make them more attractive to new tenants, lead to lower turnover of tenancies and reduce potential problems like damp.

Improving your property's Energy Performance Certificate (EPC) rating may be necessary to help you meet minimum energy efficiency standards which are planned to come into force in April 2021. You can read more about the minimum standards below.

Plus, your tenants could benefit from lower energy bills, making them warmer at home and reducing the risk of fuel poverty.

In addition, if you are considering investing in a renewable energy system it makes sense to make the property as energy efficient as possible prior to installing, so that the amount of energy required to heat the property is reduced, therefore maximising cost savings.

We know that improving the energy efficiency of your properties could be a daunting task. By contacting Home Energy Scotland, you have already taken the most important step to obtaining free and impartial advice.

Next, we would suggest you read through this factsheet which should help you:

- Find and understand your Energy Performance Certificate (EPC).
- Understand the minimum energy efficiency standards and what action you must take.
- Determine what financial support is available to help you with upfront costs.

Energy Performance Certificates (EPCs)

An EPC shows the energy efficiency rating of a property. It also provides:

- an indication of the costs of meeting the energy demand of the property i.e. likely energy bills;
- what the property's carbon dioxide emissions are likely to be; and

- a useful section which outlines ways you can improve the efficiency of the property to reduce its energy demand and associated costs.

The performance of a property is summarised and expressed on a scale of A (very efficient) to G (inefficient) with a corresponding numerical score. This number is referred to as the 'SAP score' and the letter is referred to the 'SAP band'. The term 'SAP' stands for Standard Assessment Procedure, which is the UK Government's methodology for assessing and comparing the energy and environmental performance of dwellings. SAP works by assessing how much energy a dwelling will consume and is based on standardised assumptions for occupancy and behaviour. This enables a like-for-like comparison of dwelling performance.



All privately rented properties in the UK must have a valid Energy Performance Certificate (EPC) which has been produced in the past 10 years. To check whether your property has a valid EPC you can visit the [Scottish EPC register](#) and search using your property details. If no valid EPC exists, then you can also use this website to search for an accredited Domestic Energy Assessor (DEA) who will be able to produce one.

The process for producing an EPC requires a visual assessment of your property. The DEA will need to visit and measure different elements of the property, making assumptions where required. As the process is a non-destructive means of testing, the assessor can only consider information where there is evidence that can be photographed or documented. It is therefore important that you keep sufficient evidence (e.g. photographs, receipts, invoices) of any improvements that have been made to the property so that this information can be included in the assessment. Otherwise, the EPC will likely achieve a poorer rating since the improvement has been disregarded.

Therefore, if you undertake any insulation work, make sure you ask the installer to write down what work has been done on the invoice, keep receipts and take photos before and after the installation.

EPCs are commonly required to pre-qualify for certain government financial support schemes for renewables systems and energy efficiency measures. They will also be used as evidence to prove that a property meets minimum energy efficiency standards.

Energy efficiency standards for private rented housing

The Scottish Government is committed to improving the energy efficiency of homes in the private rented sector and on 2 May 2018 announced that they intended to introduce minimum energy efficiency standards for private rented homes.

The standards form part of the Energy Efficient Scotland programme which aims to make sure homes and buildings are warmer, greener and more efficient. You can read more about the programme in the [Energy Efficient Scotland routemap](#).

For up-to-date information on the minimum standards you can refer to the Energy Saving Trust's webpage on Private Landlords in Scotland. A link to this page can be found at the end of this factsheet.

Minimum energy efficiency regulations

Following consultation in 2019, the Scottish Government published the draft [Energy Efficiency \(Private Rented Property\) \(Scotland\) Regulations 2020](#) which were laid before parliament and expected to come into force 1 April 2020.

The Regulations set out minimum standards for energy efficiency of properties in the private rented sector and use Energy Performance Certificates (EPC) as the method to measure this standard. These minimum standards are designed to tackle the least energy-efficient properties in Scotland and form part of a framework of standards to tackle the energy efficiency of all private rented sector properties in Scotland.

The introduction of these regulations was delayed by the Scottish Government due to the COVID-19 crisis and the need to prioritise the safety of tenants and workers, and to reduce the burden on local authorities who are focusing on frontline emergency responses. A commitment was made to introduce the regulations once conditions under the pandemic allowed.

Following a statement at parliamentary questions it is anticipated that the regulations will now come into force from 1 April 2021. It is also expected that the interim target of achieving an EPC rating of band E and the corresponding dates will be removed. Changes are yet to be finalised, so information contained in this section of the factsheet is subject to change and for information only.

What do the minimum energy efficiency regulations mean for my rental properties?

The following requirements were set out in the draft Regulations and are expected to come into force from 1 April 2021:

- At the start of a new tenancy the property will need to have an EPC of at least band D by 1 April 2022.
- All rented properties need to have an EPC of at least band D by 31 March 2025.

In some cases, there will be exemptions to meeting the above criteria (see the proposed exemptions section below).

The Scottish Government's route map for the new Energy Efficient Scotland programme reported that the private rented sector would be required, where technically feasible and cost effective, to meet the minimum standard of EPC Band C by 2030. However, the requirement to reach EPC Band C is not part of the regulations currently being considered by the Scottish Parliament.

This document gives information about the draft regulations' requirements for private rented properties to meet EPC band D. Regulations for meeting EPC band C will be confirmed at a future date.

Energy efficiency recommendations

The draft regulations use EPCs to measure minimum energy efficiency standards. Recommendations will be based on an EPC recommendation report which landlords can use to find out what work they can do to improve their property's energy efficiency to help meet minimum standards.

Proposed exemptions

There are some key exemptions proposed in the draft regulations, which outline specific circumstances when a private landlord would not need to meet minimum energy efficiency standards. These include situations where:

- All relevant energy efficiency improvements have been made.
- Relevant improvements will damage the fabric or structure of the property.
- Access to carry out work has been refused or unreasonable conditions have been set by the tenant or a relevant third party.
- There are protected species in the property that can't be disturbed.
- The relevant improvements can't be carried out on the property as it affects the listing or conservation status.
- When the landlord plans to dispose of a property through demolition.

For a full list of exemptions and further information, refer to the [draft regulations](#).

For all exemptions, it is proposed that:

- Local authorities will create and maintain their own register of exemptions. This will record the type of exemption, proof of exemption, and the date the exemption is valid until.
- Landlords need to supply proof of their exemption to the local authority.
- Most exemptions will last for 5 years, unless there's a temporary abeyance.

In these cases, it is proposed that the landlord must register information with the local authority to support this, by way of a valid exemption.

Enforcing the minimum standards

The draft regulations propose that local authorities enforce the minimum standards. This includes recording and monitoring exemptions, and if necessary, serving a penalty notice on landlords that don't comply with the standards.

The proposed penalties are:

- Up to £2,000 if a landlord has let a property that doesn't meet minimum standards, in breach of the regulations, for less than three months.
- Up to £4,000 if a landlord has let a property that doesn't meet minimum standards, in breach of the regulations, for more than three months.
- Up to £1,000 if a landlord provides false or misleading information in connection with the compliance notice detailed in regulation 17(2).
- Up to £2,000 if a landlord fails to comply with a compliance notice, in breach of regulation 20(4).

Local authorities can also add a publication penalty to all the penalties above. This means that the local authority may publish details of the breach and the amount of penalty imposed on the exemptions register.

Landlords can appeal the decision of a penalty notice review – to find out more, read the draft regulations.

Financial support for private landlords

If you're looking to spread the cost of energy efficiency improvements, Home Energy Scotland can help you work out what funding option is right for you.

The location of your property and your tenant's personal circumstances could qualify your property for additional financial support which is not outlined in this factsheet. We therefore strongly suggest that you and your tenants contact Home Energy Scotland to determine eligibility for additional support before making a decision.

Private Rented Sector Landlord Loan

The [Private Rented Sector Landlord Loan scheme](#) has been designed to help private landlords cover the upfront costs of making improvements to their rental properties.

Who can apply?

Registered private landlords, acting either as an individual or a business that owns privately rented properties, can apply. Funding is only available for businesses owned:

- by an individual in their capacity as a sole trader
- by some or all of the members of an incorporated association in trust for the association
- by either: a limited company; a limited liability partnership; a trust; a partnership; a registered society under the Co-operative and Community Benefit Societies Act 2014; or a Scottish Charitable Incorporated Organisation, or
- in any other capacity which Energy Saving Trust or the Scottish Government considers to be a business.

Applications will only be accepted from individuals or official representatives of the business that will own the equipment, materials and property at the time the loan is paid.

Applications will not be accepted from installers, property developers, letting agents or self-builders.

Eligible properties

We will only offer funding to landlords for improvements to domestic dwellings in Scotland which are listed on the [Scottish Landlord Register](#) and are not used as a holiday home or second home.

The property must be registered with the [Scottish Assessors Association](#) as paying domestic council tax rates.

The property must already be built – it cannot be under construction.

Properties must be currently occupied by at least one tenant or will have at least one tenant in place within 30 days of the loan being paid.

What you need to do

You must contact Home Energy Scotland personally to get impartial advice about your property or properties, which will help decide the best options for you.

You must only apply using the form provided to you by Home Energy Scotland.

How much can you borrow

The amount you can borrow depends on how many domestic properties you have in your portfolio:

- Landlords with five properties or fewer in their portfolio can borrow up to £100,000.
- Landlords with six or more properties in their portfolio can borrow up to £250,000.

The amount you can borrow also depends on what improvements you want to make.

Fees and interest

Loans are administered by Energy Saving Trust. Successful loans are subject to an administrative fee of 1.5% of the total loan value, up to a maximum of £250. The fee will automatically be added to the loan value and included in the amount that you will need to repay. Applicants with five properties or fewer in their portfolio will not be subject to interest. Applicants with six or more properties in their portfolio will be subject to interest at a rate of 3.5% APR.

For more information on the scheme or to request a copy of application forms please contact Home Energy Scotland on 0808 808 2282.

Additional financial support for private landlords

Aside from the financial support schemes outlined above, there are additional schemes which you may be eligible for if you meet certain qualifying criteria.

Home Energy Efficiency Programmes for Scotland (HEEPS) Equity Loan

The HEEPS Equity Loan is a Scottish Government pilot project which provides equity loan funding for energy efficiency improvements and repairs to the fabric of the building. The loan is available to private owners and private landlords with properties in Perth and Kinross, Stirling, Dundee, Glasgow City, Inverclyde, Renfrewshire, Argyll and Bute or the Western Isles.

Eligible privately rented properties must be in Council Tax bands A – C, unless the tenants receive qualifying benefits. Landlords must also be classed as a 'natural person' (meaning they're not registered as a business) and cannot own more than two properties.

The HEEPS Equity Loan lets you borrow money against the value of your property. There are no ongoing repayments as you only pay back what you've borrowed when you sell the property, or when the last applicant dies.

What you pay back is based on the equity stake the Scottish Government takes in your property, and its value at the time you make the repayment. There is also a maximum cap applied to what you have to repay to make sure that, if you see a sharp rise in your property's value, you will not be unduly penalised.

Further information on the scheme can be found by visiting [our website](#).

Home Energy Efficiency Programmes for Scotland (HEEPS): Area Based Scheme Loan

The Scottish Government fund local authorities to develop and deliver energy efficiency programmes (mainly solid wall insulation) in areas with high levels of fuel poverty.

The area-based schemes are designed and delivered by local authorities with local delivery partners. They target fuel-poor areas to provide energy efficiency measures to many Scottish homes while delivering emission savings and helping reduce fuel poverty.

As a private landlord you may own a property which is located within an area-based scheme and is part of a larger building e.g. 4 in a block. In such circumstances the local authority may send you a letter requesting that you pay a contribution towards the installation of external wall insulation.

The HEEPS Area Based Scheme Loan offers financial support to owners and private landlords that are required by their local authority to pay a contribution towards the installation of improvements as part of an area-based scheme.

If you receive a letter from your local authority requesting a contribution and you would like to know more about the funding available, then contact Home Energy Scotland on 0808 808 2282.

Useful links

- The Scottish EPC Register - <http://www.scottishepcregister.org.uk>
- The Scottish Government routemap for Energy Efficient Scotland - <https://www.gov.scot/publications/energy-efficient-scotland-route-map>
- Guidance to the Energy Efficiency (Private Rented Property) (Scotland) Regulations 2019 - <https://www.gov.scot/publications/energy-efficiency-private-rented-property-scotland-regulations-2019-guidance>
- Energy Saving Trust's webpage on Private Landlords in Scotland - <http://www.energysavingtrust.org.uk/scotland/businesses-organisations/landlords>
- Private Rented Sector Landlord Loan - <https://www.homeenergyscotland.org/find-funding-grants-and-loans/private-landlord-loans/>
- Home Energy Efficiency Programmes for Scotland (HEEPS) Equity Loan - <https://www.energysavingtrust.org.uk/scotland/grants-loans/heels/heels-equity-loan-scheme>