

Committee Response

Inquiry into the cost of living

Response by the Royal Institution of Chartered Surveyors (RICS) to the Senedd Cymru
Economy, Trade and Rural Affairs Committee



Introduction

On behalf of the Royal Institution of Chartered Surveyors (RICS), can we first begin by thanking the committee for the invitation to respond to what is a clearly challenging issue in Wales.

Established in 1868, RICS is the largest organisation of its kind, with over 2,300 professionals in Wales supporting the built and natural environment. Our qualified professionals apply their expertise each day, advising on a range of matters from housing standards, energy efficiency and building optimisation.

The increasing cost of living challenges is impacting almost all parts and sectors of Wales, and a 'perfect storm' of events have exacerbated the situation – including Covid-19, Brexit, changes to the energy price cap, and the recent invasion of Ukraine. The Committee will already be familiar with the challenges facing some households, including the difficult choices facing some of the poorest in choosing between eating and heating.

RICS will use this consultation response to focus on areas within our immediate field of expertise, especially in housing, where increasing costs in energy prices, mortgage interest rates and housing supply are having a significant impact on the cost of living.

Energy prices and performance improvement

As well acknowledged already, one of the most common drivers attributed to the cost-of-living challenge is the recent changes to the energy price cap across the UK, which has seen prices increase by an average of 54% of £693 for many people. This will almost certainly increase further when the next adjustment period occurs in October 2022.

RICS have been dedicating a significant number of resources towards energy performance improvement in recent years, motivated in large by the need to decarbonise housing stock to meet net zero targets – however it is not just environmental benefits that can occur, but economic and social.

- Housing stock in Wales is some of the oldest in the UK – with an estimated 27% of Welsh homes more than 100 years old, higher than any English region. With this age, comes heating, insulation and damp challenges – and the associated energy demand and cost.
- This statistic is further evidenced by ONS data showing Wales has the lowest average energy efficiency score between Wales and all English regions – a rating of 64, the

equivalent of an EPC D (with owner-occupier homes largely the poorest performing and social housing the best)¹.

- Since the Covid-19 pandemic, many people are now spending more time in poor energy performing homes – especially with an increase, and indeed government aim, for people to work remotely. While such ambitions may save in commuting costs, its unknown the full extent to which such savings are offset by additional domestic energy usage.
- Simple and effective measures can be utilised to increase the energy efficiency of homes and help people save money. For example, the installation of cavity-wall insulation can see savings in energy costs (based on April 2022 prices) ranging from £180 annually for a mid-terrace property annually (with a one off £620 installation cost) to £480 for a detached home (with a one-off installation cost of £2,500).²
- These one-off installation costs can now be difficult for many – with cavity-wall insulation already being one of the cheaper options on improvement works – in contrast to a typical £8000 heat pump.
- Government schemes such as the Nest are available to support with this, however the criteria prioritises though most in need or with health conditions. While this is understandably a priority, it is important to recognise that the recent cost of living increases is expanding those at risk of falling into the ‘most in need’ category - such as those who may own their own property, have a full-time job, but also fail to have high levels of disposable income or savings to consider investing in such installation works.
- **RICS recommends reviewing how schemes such as Nest prioritise and review regularly their scope of eligibility, and if leverage exists, look to expand the means-testing criteria.**

¹<https://www.ons.gov.uk/peoplepopulationandcommunity/housing/articles/energyefficiencyofhousinginenglandandwales/2021>

²<https://energysavingtrust.org.uk/advice/cavity-wall-insulation/>

Consumer information and advice

Access to sufficient consumer information is critical in addressing the cost-of-living challenges. Consumer information in this context can vary from financial advisory services to advertising requirements to energy improvement investments and support.

Green measure installation:

- In recent years several UK Government schemes including the Green Homes Grant (although not applicable in Wales) and the current Boiler Upgrade Scheme have not required consumers to have significant amounts of information or advice provided before receiving public funds. As a result, green measures could easily be installed in properties not suitable or at the wrong moment in time for that home, increasing running costs and consequently exacerbating the cost of living.
- **RICS recommends that before any major investment in energy improvement works in a home (regardless of tenure), a retrofit assessment is conducted first.** With the UK and Welsh Government making significant investments towards retrofitting and energy upgrades, this will help ensure incorrect energy measures are not installed, or installed at the optimum moment, thus saving the consumer money. This is not a new concept; indeed, this was previously a requirement as part of the Welsh Government's Warm Homes Fund.

Property information

- The National Trading Standards are in the process of reforming the disclosure of material information in property listings to increase awareness and transparency of leasehold costs, council tax and rent/deposit costs. Not included in these reforms is a requirement to give an indicative idea of energy costs. While calculating such cost may be difficult as each home and person has different circumstances (e.g., working from home, behavioural differences etc) – the government could investigate opportunities to help raise awareness around calculating average energy costs of a property. This could support a homeowner, or tenant in being able to estimate what their average outgoings for that property may be per month – and in the cases of looking to move home, reduce the risk of entering arrears.

Consumer awareness

- A simple and immediate solution to help address the cost of living is to increase the promotion of services and guides already available.
- For example, Cambridge Architectural Research recently published findings on behalf of the Department of Energy & Climate Change that showed simple, but effective measures could help reduce energy bills. These include:
 - Installing water-efficient shower heads and only using twice every day could save £145 a year.*
 - Insulating hot water pipes could save £46 a year.*
 - Tuning the thermostat down from 20 degrees C to 18 degrees C could save £556 a year on an electric boiler.*³

Whilst such measures may be logical to many, the promotion of such actions is not widespread. There are very little direct recommendations currently listed on Welsh or local government websites as an example, or consumer group websites. It is also important to consider that a significant portion of those most vulnerable, such as the elderly, may only find such information beneficial in writing directly to them by post. **RICS recommends the Welsh Government takes a proactive role in promoting such energy-saving actions**, which to date have largely been led by third-sector organisations or energy companies.

- RICS recently worked with industry experts to publish [it's 'Low Carbon Homes Consumer Guide for Wales'](#) as a tool for informing of various advice services and measures available for reducing energy consumption and saving money in some cases. This guide is already in circulation with a small number of resident groups and landlords.

Market challenges and planned changes

Market conditions within the housing sector are further driving up the cost of living with planned revaluation to Council Tax in Wales likely to see many have adjusted rates in the near future.

³ *Based on average UK electricity prices April 2022.

- Growing housing demand versus available stock has been a problem in Wales for many years – however since the Covid-19 pandemic commenced this gap has further widened. RICS produce a monthly ‘UK Residential Market Survey’ which tracks housing market trends and predictions by industry experts. Since the pandemic started, the levels of housing stock available, either for rent or purchasing have decreased, while demand for moving has grown.
- These changes are having a direct impact on the cost of living, especially in the private rental market where some landlords are selling up due to the increase in property value potential, with tenants facing smaller choices and increased rent. The April 2022 RICS UK Residential Market Survey shows that in Wales, 75% of agents expect to see rent expectations and rates grow in the next quarter.⁴
- The RICS Wales Housing Group further collects insight from members operating across Wales, and in recent months is seeing a trend in the quality of homes people are purchasing or renting. With limited housing stock, purchasers or renters are facing smaller choices, with several surveyors, when undertaking RICS Home Surveys, noticing a decrease in the quality of stock. This is particularly the case for a buyer, with private renters being protected to an extent by Minimum Energy Standards. However, this lack of quality stock could further add to the cost of living by failing to be energy efficient homes and requiring an increase in heating needs.
- For those looking to purchase, current mortgage interest rates are also some of the highest they have ever been, especially for those on variable rates.
- The Welsh Government is expected to shortly commence plans to launch a revaluation process in Wales which could see Council Tax rise for many residents. While reform of Council Tax has been called for by many and linking it up with property values being a preferred choice by some, it’s important to highlight that property values are at some of their highest ever. That said, a Welsh Government-commissioned report, conducted by the Institute of Fiscal Studies pre-pandemic, showed that reforming Council Tax could see 21% of households in the bottom fifth

⁴ https://www.rics.org/contentassets/6914ab4d1ed542328801f609c0ea6180/4_web_april_2022_rics_uk_residential_market_survey_tp.pdf

of income distribution see a more than £200 reduction in their bill.⁵ RICS calls on the Welsh Government to consider any planned revaluation to investigate the benefits reforming the current system will have on addressing the cost of living and reducing Council Tax for those most vulnerable (or at risk of becoming vulnerable).

⁵ <https://www.ifs.org.uk/uploads/R169-Revaluation-and-reform-of-council-tax-in-Wales-2.pdf>