

Housing in Multiple Occupancy: Energy Issues and Policy

REPORT FOR POLICY STAKEHOLDERS

A report by Future Climate and the
Centre for Urban Research and
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for eaga Charitable Trust

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A full report from this study is available on the eaga Charitable Trust website www.eagacharitabletrust.org

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Executive summary

Housing in Multiple Occupancy: Energy Issues and Policy (HOME) focuses on energy vulnerability in houses in multiple occupation (HMOs). It has involved a review of the academic literature and current policy framework and an extensive series of stakeholder interviews.

The definition of an “HMO” varies between different policies and regulations. In this report we have principally considered the 2004 Housing Act definition which identifies broadly two types of HMO (1) private rented properties occupied by three or more people in two or more households¹ sharing access to and/or use of some facilities; and (2) poorly converted blocks of fully self-contained flats where more than a third of the flats are privately rented (often referred to as Section 257 HMOs after the section of the Housing Act in which they are identified).

To help energy policy makers to understand the sector we have created a set of HMO scenarios identifying some typical HMOs in terms of tenancy arrangements, how energy bills are paid, the built form and ownership arrangements of the property.

Certain cities have a prevalence of HMOs as a result of specific patterns of demand and supply in the housing market:

- **The distinct London housing market** with low supply and high prices – obliging many people on lower incomes to live in shared housing, including many in work;
- **Demand for student housing** as a result of universities built or expanded without halls of residence;
- **High supply of large homes in coastal towns**, coupled with weak demand – leading to occupation by very low income residents;
- **Areas with high concentrations of migrants** – because of employment opportunities, existing migrants’ social networks, or where local authorities have agreed to ‘dispersal’ housing units for asylum seekers.

Data is weak but 1% to 3% of English properties seem to be HMOs with prevalence rising as high as 14% in central London boroughs. A growing HMO sector is a planned part of government policy:

- Under 35s now only receive housing benefit at the shared room rate for their community;
- The “bedroom tax” may require single person households to move out of social housing into cheap PRS accommodation;
- Local authorities can now fulfil their duty to house the homeless fully through the private rented sector;
- New asylum seekers are initially housed by the Home Office contractors in HMOs.

¹ As with so much of the terminology in this area the definition of a “household” has been the subject of legal wrangling. However the principal defining features of households are family relations, couples or where unrelated friends move in to a property as a pre-existing group and live together like a family.

The scale of these changes should not be under-estimated: it is estimated that up to 88,000 people under the age of 35 may move into HMOs as a result of the changes to the shared room rate.

Research suggests that, more than any other type of housing, shared housing is likely to be under-counted in official surveys. Government and policy makers have recently talked extensively about “beds in sheds” – illegal, overcrowded accommodation – that is particularly an issue for migrant workers for example from EU accession countries.

While welfare policy is likely to increase the number of HMOs, planning powers are used to limit shared housing. Article 4 Planning Directions can limit the creation of HMOs in a given area usually in response to concerns about “studentification”. Immigration policy also has an impact: additional enforcement action on beds in sheds is linked to government concerns about illegal immigration.

Available evidence, which is very limited, suggests HMOs are more often in poor condition than other types of housing in the same area. A recent NAO report found that asylum seekers were frequently put in sub-standard HMOs. Equally, homeless people’s HMO accommodation has been frequently reported to be of very low standards. The English Housing Survey suggests HMOs are often old, solid wall properties with low levels of insulation and sometimes expensive electric heating systems. S257 HMOs pose problems because they are by definition older, poorly converted properties.

Problems with damp, condensation and mould and related health problems emerge very strongly from the literature as part of the lived experience in HMOs. The NUS found that around 50% of students in private rented (mainly shared) properties experienced these problems.

There are several issues around the inclusion of HMOs within the government’s energy efficiency and fuel poverty policy delivery:

- The government’s official definition of fuel poverty is not directly applicable in cases where energy bills are part of the rent or the bills are shared between multiple households;
- Energy Performance Certificates are not required at point of rental for HMOs that are let on room-by-room basis² - because the European Energy Performance of Buildings Directive only requires EPCs for fully self-contained dwellings and the UK government has refused to “goldplate” the Directive;
- There is a lack of clarity around the energy assessment methodology (domestic or non-domestic?) to be used in some HMOs;
- With multiple tenants, old hard-to-insulate properties and lack of clarity over energy assessments, energy suppliers are unlikely to prioritise the sector for ECO funding
- Section 257 HMOs can be hard to tackle because they typically have a freeholder, multiple leaseholders and tenants who may not agree on the need for energy efficiency works.

² Note that HMOs may be let on a single tenancy to a group of sharers acting together. In this situation an EPC is required

Most importantly, without an EPC to act as a “trigger” at the point of rental, minimum energy efficiency standards to be applied to the rest of the private rented sector under the 2011 Energy Act will exclude HMOs that are let on a room-by-room basis.

Action to improve the condition of HMOs is driven principally by local authorities. From 2006 local authorities have been required to license and therefore monitor all large HMOs. Authorities also have the power to additionally licence³ smaller HMOs in areas where there are management problems. As with all private rented properties local authorities can monitor, and demand HMO landlords act on, housing health and safety problems including cold and damp.

Experience from a small number of local authorities (we include a detailed case study of Bath and North East Somerset) shows how these powers can be used to directly tackle excess cold and poor energy efficiency in HMOs:

- Additional licensing schemes can be established on the basis of high levels of fuel poverty and low levels of energy efficiency in the HMOs in a community;
- Energy Performance Certificates can be required as a condition of HMO licensing;
- Minimum EPC standard can be set as a condition of HMO licensing (with a time given for landlords to bring the property up to the minimum standard);
- Housing health and safety enforcement can be combined with systematic approaches to offering grants and subsidies and encouraging landlords into voluntary accreditation schemes.

It is important to note that these are, as yet, far from mainstream approaches. In Manchester, for example, we found that the local authority is struggling with major resource constraints and is not pursuing any additional or selective licensing. Energy efficiency was not perceived as a first order housing quality issue in HMOs (a common theme across many authorities is that the risk of cold is still not seen a fundamental part of “health and safety”). Additionally, HMOs are not seen as at the top of the list to benefit from ECO funded energy refurbishment programmes.

Summary of Recommendations

HMOs often provide accommodation for people who have no other choice about where to live. Residents usually do not have sole control of energy use in their property. As such there is a strong case for additional regulatory protection from cold for HMO residents. It is shocking that, as things stand, HMOs will be substantially excluded from the government’s proposed EPC “E” minimum energy efficiency standard for the private rented sector.

Instead, given the low incomes and vulnerability of the residents, energy prices, and the condition of much of the housing stock, we suggest there is a case for HMOs to be brought rapidly up to at least EPC “D” as the minimum acceptable standard – moving towards this standard at the same time as minimum “E” is applied to wider PRS stock.

³ It is important to note the distinction between “additional licensing” which brings smaller HMOs into a licensing regime and “selective licensing” which local authorities can use to bring all PRS homes in an area into licensing. The test for introducing additional licensing is less rigorous than the test for selective licensing.

To begin to put this “D” standard in place, government needs to:

Level the playing field around energy efficiency policy – ensuring that HMOs are reached equally with other homes by the key policies – EPC requirements, ECO and the minimum “E” PRS standards:

- A requirement for a building level Energy Performance Certificates to be issued to HMO tenants at point of letting (certificate to be produced at the individual bedsit level when the bedsit has its own electricity meter);
- Clarity around the methodology to be used in undertaking energy assessments in HMOs;
- Tackle some of the barriers to energy efficiency in the wider PRS, for example, introduction of measures to prevent retaliatory evictions when tenants complain about cold homes (as has been recently discussed by DCLG⁴);

Promote an EPC “D” standard in licensing and encourage co-ordinated, effective local authority action on cold HMOs. Government should encourage local authorities to:

- Consider additional licensing programmes – covering smaller HMOs and poorly converted blocks of flats - in areas where there are concentrations of fuel poverty and very energy inefficient HMOs;
- Introduce minimum EPC “D” standard, alongside a requirement for EPCs to be produced, as a condition of HMO (mandatory and additional) licensing. This should give landlords time to meet the standard but should also include a requirement for them to contribute towards costs of upgrade works. Councils should also seek to align grant and ECO funding to support landlords in making the improvements;
- Take more robust action in requiring insulation and the most energy efficient heating systems in HMOs identified as an excess cold risk in housing health and safety inspections;
- Better monitoring of excess cold and damp risks in HMOs.

Consider EPC “D” as a the minimum acceptable standard when housing people in the most need

Many people living in HMOs are placed there by government. Local authorities, central government bodies and agencies placing homeless people or asylum seekers in HMOs should adopt minimum “D” energy performance standards as a key housing quality criterion.

Better use can also be made of planning powers in ensuring that high quality HMOs are a planned part of communities. Local dialogues about HMOs have been dominated by concerns about anti-social behaviour and studentification. A positive planning dialogue focused on the role of HMOs in meeting housing need could be taken forward through new localised planning powers.

The problem of cold, sub-standard, HMOs cannot be considered separately from the operation of the UK housing market. Tackling HMOs means tackling wider dysfunction in the housing market, including – we suggest – introducing minimum standards for energy efficiency across all tenures.

4 DCLG, 2014

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Introduction

Housing in Multiple Occupancy: Energy Issues and Policy (HOME) is a project that has been underway since October 2013, thanks to a collaboration between Future Climate and the Centre for Urban Resilience and Energy at the University of Manchester, with funding from the Eaga Charitable Trust. The starting point for the project was the lack of empirical evidence and analytical frameworks to understand energy use and energy efficiency in shared housing.

The methodology for the project is explained in Appendix 2. We conducted a detailed academic and policy review, and interviewed policy, practitioner, landlord and tenant stakeholders. We particularly focused on local authority housing environmental health officers (EHOs) – the professionals who work most regularly with HMOs.

HMOs differ from standard home in their tenure arrangements and often in their built form, in their occupants (single, low income and often vulnerable) and in the way energy is procured and consumed. As a result HMOs remain marginal to many of the policies addressing energy use in homes. Most significantly in this regard we can consider the technical definition of fuel poverty. In HMOs energy bills are often included in the rent, or they may be shared between multiple persons. The tenants use energy in their own rooms and also in communal spaces. As a result the standard definition of fuel poverty, based on the relationship between a household's income and energy costs is hard to apply⁵ for HMO households.

In this sense, HMOs present a challenge for mainstream approaches to energy efficiency and fuel poverty. In this study we focus not just on the question of distributional justice in terms of access to 'affordable warmth' (the traditional fuel poverty approach), but also on the broader geographical, historical and material factors that influence exposure to cold homes and high bills. It is interesting that this leads us to focus on groups that are rarely considered within traditional fuel poverty analyses, notably students and migrants. We then move on to consider the policies that affect housing quality, particularly energy efficiency in shared housing. Finally we look at the procedural and process issues that affect how policies and regulation are actually delivered at local level with a detailed case study of Manchester.

This study focuses on housing market issues, policy, regulation and – to some extent – process at the local level. But that is only part of the picture. The planned next stage of this work is a study on the ground with HMO residents, to understand how tenants manage energy use and deal day-to-day with the multiple consequences of energy vulnerability.

⁵ This applies whether we consider the fuel poverty definition of 10% of household income spent on energy bills or the Government's new definition based on low income/high energy costs.

1. What is an HMO?

Definitions

The definition of an “HMO” varies between different policies, regulations and processes – housing, council tax⁶, planning and in the Census. In this report we have principally considered the 2004 Housing Act definition, though refer to other definitions in considering planning regulations and the Census. The Housing Act identifies three main types of HMO property:

- Private rented properties occupied by three or more people who make up at least two households⁷ and who share some facilities (identified in Section 254 of the Housing Act and sometimes referred as S254 HMOs);
- Buildings with three or more people who make up at least two households and with one or more non-wholly self-contained flats (for example where a building contains a flat that has its own bedroom and kitchen behind a front door but a bathroom down the corridor – even if the bathroom is exclusively for use by that flat) – this is also a S254 HMO;
- Poorly converted blocks of self-contained flats which do not meet 1991 Building Regulations, in which over a third of the flats are privately rented (identified in Section 257 of the Housing Act and sometimes referred as S257 HMOs).

Under the 2004 Housing Act, HMOs are properties in the private rented sector. Properties that are rented by local authorities or social landlords, or owned by educational or religious establishments are exempted from the definition.

Beds in Sheds

“Beds in sheds” is a popular term that has been used by politicians and other stakeholders to describe overcrowded and poor quality accommodation. Examples include attics, shipping containers and garden sheds, and rooms which are let out “in shifts” so that rooms and even beds can be shared between shift-working tenants⁸. Typically, ‘beds in sheds’ are rented out to new migrants who have limited access to alternative housing, support networks or welfare, and occasionally, choose to rent and/ or sub-let their accommodation to share the cost of living.

Typology

To help policy makers and stakeholders to consider the variation within HMOs in terms of issues relevant to energy vulnerability Appendix 1 identifies a new typology of HMOs. We identify five types of HMOs: “illegal/informal”; “Rooms in a shared house”; “Groups of sharers”; “Bedsits”; “Poorly converted blocks of flats”.

⁶ Because in HMOs, unlike standard properties - the landlord rather than the occupier is liable for council tax.

⁷ As with so much of the terminology in this area, the definition of a “household” has been the subject of much legal wrangling. However the principal defining features of households are family relations (included extended family), couples (married or unmarried) or where people unrelated move in to a property as a pre-existing group of friends and live together like a family.

⁸ Chappell et al 2009 and Audit Commission 2007, quoted in Perry 2012, p. 17

This has been put together based on a scenario approach and identifies typical HMOs in terms of:

- Tenure arrangements
- How is energy procured?
- Who has the contract with the energy supplier?
- How landlords and tenants can best be reached and engaged
- Built Form
- What heating system might be used?
- What type of energy assessment might be required?
- Evidence of numbers of each type

2. Numbers of HMOs

The Census does not incorporate a definition of an HMO that aligns with the 2004 Housing Act but nonetheless we believe it represents the most accurate data in this area. A detailed analysis of 2011 Census data is included in Appendix 3, to summarise:

- 984,284 household spaces reported as “*Flat, maisonette or apartment: Part of a converted or shared house (including bed-sits)*”, this is 4.3% of all household spaces in England (23,044,097)⁹. This definition would include all self-contained flats in converted houses.
- Around 0.1% of UK household spaces are bedsits
- There are 0.5% full-time student households, and 666,810 (3%) ‘other’ multi-person households¹⁰ in England.

The 2010/2011 English Housing Survey identifies 249,000 homes shared by 2 or more families or more than 3 lone individuals – 1.1% of properties. This excludes bedsit properties (of which there is not a statistically significant sample in EHS) and 5257 HMOs (which cannot be identified in the EHS).

CLG publishes data returns of information supplied by local authorities about HMOs in their area¹¹, most recently in 2011. This data uses the Housing Act definition of an HMO and shows local authorities’ estimates that - on average 1.9% of dwellings are HMOs and 0.37% of dwellings are in “verified” HMOs – ie known to the council¹². The highest incidence of HMOs reported in this data is in the London Borough of Hackney with an estimated 14.7% of dwellings being HMOs. Forty-seven local authorities around the country are shown as having over 3% HMOs, strongly concentrated in the South (see figure in Appendix 3).

In any count of HMOs it is important to consider that a substantial group of these properties may be missed. Firstly, both the Census and the local authority data were produced in 2011 and the number of HMOs may have risen since then due to the changes in Government welfare policy. Secondly, research from the Cathie Marsh Centre for Census Survey at the University of Manchester¹³ shows that in several Western countries, census non-response rates are highest with the following groups:

- single and divorced males
- recent migrants
- unemployed
- minority ethnic groups
- private renters
- those who share a dwelling with other households or with a business.

All these categories are characteristic of, or highly typical of, HMOs. The conclusion to make is that official estimates of the HMO sector are likely to underestimate its true scale.

⁹ <https://www.nomisweb.co.uk/census/2011/KS401EW/view/2092957699?cols=measures>

¹⁰ Note that a group of unrelated sharers who would not be defined as a household for the 2004 Housing Act (and therefore would constitute an HMO) would be defined as a “multi-person household” under the Census (see Appendix 1 for more details).

¹¹ reference

¹² This data should be treated with some caution as it does not always correspond with numbers we have been given by local authorities in the course of this research.

¹³ Simson and Middleton 1997 <http://www.ccsr.ac.uk/publications/working/missed.htm>

3. Drivers for the HMO market

Different types of typical HMO tenants can be detected from literature: students¹⁴; individuals often considered vulnerable¹⁵ including homeless people, persons newly released from prison, young people leaving the care system, and people with mental health or substance misuse problems. Non-student young people are also frequent house-sharers¹⁶. New migrants are a significant demographic group living in HMOs due to their limited access to other housing tenures¹⁷ and asylum seekers are almost invariably housed in HMOs initially.

Policy has direct impact on the overall number of people living in HMOs and the geographic distribution of HMOs. There is an overall likely trend towards increasing numbers of HMOs principally as a result of welfare changes and housing rights. Meanwhile planning policies and, more recently, immigration policies typically seek to limit the number of HMOs or access to them.

Rising demand for HMOs is not just policy driven. The number of single person households as a proportion of all households has steadily increased and is predicted to rise in the future (29% of households consisted of only one person in 2013).¹⁸ Further, the policy changes and demographic trends need to be understood in terms of the wider functioning of the UK's housing market where a structural shift towards more private renting has occurred over the last decade.

Context: the housing market

The concentration of HMOs in certain areas is related to the UK housing market characterised by a liberal market economy¹⁹, but with extensive market failures, linked to a wider societal trend of increasing segregation and inequality²⁰. HMOs 'mop up' housing need originating from those who do not have the economic and social resources or indeed status required to access owner occupation, single-occupancy private rented homes, or the remarkably constrained stock of social rented homes.

The literature suggests that structural housing shortages, as experienced in the UK, cannot be resolved by "adjustments in the operation of specific tenures"²¹. Growth in the private rented sector (PRS) mainly signals transfers from other tenures, and as such, can cause conflict or 'crowding out' both within different demand groups in the PRS, and between PRS and other tenures²². As such HMOs are often seen as an unwelcome threat by many 'established' communities in the UK, 'crowding out' family accommodation, putting pressure on local services and causing unwelcome neighbourhood change²³, as seen with concerns over 'studentification'²⁴.

14 Hubbard 2008; Smith 2008; Smith and Hubbard 2014

15 Smith 2012, Barratt et al 2012

16 Ford et al 2002; Rugg and Rhodes 2008; Lister 2006

17 Robinson 2010, Pemberton 2009, Rickley and Houghton 2009

18 ONS 2013 <http://www.ons.gov.uk/ons/rel/family-demography/families-and-households/2013/stb-families.html>

19 Kemp and Kofner 2010

20 Whitehead 1991; Dorling 2014

21 Ball 2010: 4

22 ibid

23 See, for example, the National HMO Network, a campaign group opposing HMOs

24 Eg Hubbard 2008

Literature suggests that current failings in the UK housing market do not just affect the numbers looking for HMO accommodation but also standards in the stock: *"a property's state of repair in most cases has little significant or consistent effect on its market rent"*²⁵. Landlords of the poorest housing stock are primarily interested in a commercial return on their investment. These conclusions are echoed by the Rugg review of the PRS²⁶ commissioned by the Government in 2008.

In terms of poverty in shared accommodation, private tenants in shared housing are no less likely to be in poverty than couples in the PRS, due to the *"bi-modal nature of shared rental housing which caters both for young urban professionals and students as well as for low income tenants living in HMOs"*²⁷. However, it is important to note the PRS accommodates a disproportionate share of low income households in the UK.

The market for migrant housing

New migrants (who are not asylum seekers – see below) have limited access to the social rented sector as well as state benefits, thus more likely to end up in overcrowded housing or 'beds in sheds' in the PRS²⁸. Sometimes, it is a case of landlords exploiting tenants, but it is not unusual for migrants to choose to 'over-occupy' to share the costs of living.²⁹

The JRF Housing and Migration Network stress that poor housing standards, both in tied and independent PRS, continue to be a significant concern for many European migrant workers, as well as migrants from outside of the EU³⁰.

Policy Drivers

Welfare Changes

Recent changes in the UK welfare benefit regime are likely to have a significant impact on the number of HMOs. The Welfare Reform Act 2012 introduced the so-called bedroom tax which applies to people "over-occupying" their social rented home³¹. This policy is predicted to increase demand for smaller PRS accommodation units where alternative social housing is not available. The DWP impact assessment identified 320,000 individuals under 60 and single who will be affected by the bedroom tax³².

In the same Act, the shared room rate age limit is raised to 35 years (from 25), meaning that young single people under the age of 35 in the PRS are only entitled to a housing benefit which is equivalent of a room in a shared house. The Government's own impact assessment concludes that this would affect 99% of Local Housing Allowance claimants aged 25-35. Barratt et al (2013) estimate that: *"approximately 88,000 extra people (McCann 2011) between 25-34 years now"* could seek lower cost HMO accommodation due to the change.

25 Crook and Hughes 2001: 22

26 Rugg and Rhodes 2008

27 Kemp 2011: 1024-25

28 Robinson 2010

29 Perry 2012

30 www.jrf.org.uk/work/workarea/housing-and-migration

31 <http://www.housing.org.uk/policy/welfare-reform/bedroom-tax>

32 DWP 2012 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220179/social-sector-housing-under-occupation-wr2011-ia.pdf

The Welfare Reform Act 2012 is also predicted to result in further concentration of HMOs in cheaper housing areas, due to the housing benefit cap introduced in the Act. This is particularly problematic in London where rents are more unaffordable than the rest of the country³³. The DWP³⁴ acknowledges the disproportionate impact on London: "By region, 49% of affected households are in Greater London. The shares of other English regions are all less than ten per cent."

Providing housing for those in housing need

The role that the PRS plays in housing vulnerable people, especially the homeless, has been cemented in the Localism Act 2011 which ensures that local authorities can discharge their homelessness duty fully through the PRS without the consent of the tenant.

Asylum seekers are almost invariably housed in HMOs initially, under contracts between housing providers and the Home Office.³⁵ There are serious concerns about the quality of asylum seekers' housing in HMOs. National Audit Office recently published an enquiry³⁶ into the Home Office contract to provide accommodation for asylum seekers, which was awarded to G4S, Serco and Clearel. Appendix 4 contains a review of this evidence but what is important to note is that many asylum seekers have been housed in sub-standard HMOs including properties with problems with energy: "*many properties remain below the required contractual standard, for reasons ranging from minor to major defects...*" "*.... for example, one subcontractor has failed to pay utility bills, resulting in problems for the occupants of the properties.*"³⁷

Planning

Planning powers are mainly used with the aim of limiting the numbers of HMOs in an area. In 2010, the government relaxed regulations and allowed change of use between C3 (dwellinghouse) and C4 (small scale HMO)³⁸ without a planning permission³⁹. However, local planning authorities have the right to remove permitted development rights under the so-called Article 4 direction⁴⁰. The usual justifications for an Article 4 direction deployed by local authorities are a concentration of HMOs and related neighbourhood issues, such as anti-social behaviour, litter, and concerns about neighbourhood change⁴¹. Frequently this is in response to community campaigns against HMOs.

33 McCarvill et al 2012

34 DWP 2012 : 8 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220178/benefit-cap-wr2011-ia.pdf

35 National Audit Office 2013

36 NAO 2013

37 Ibid p. 30

38 For planning purposes, houses are considered to be in multiple occupancy and under a separate 'use class' C4 if a house is occupied between 3 and 6 unrelated people who share facilities. Larger HMOs are considered "sui generis" and do not have a use class. As such planning permission is always required to create a large HMO.

39 CLG 2010

40 <http://www.planningportal.gov.uk/permission/responsibilities/planningpermission/permitted>

41 Layard 2012

Many local authorities have introduced Article 4 directions in specific areas of the city (e.g. Brighton and Hove, Birmingham,) but some local authorities, e.g. Manchester, Oxford⁴², Southampton⁴³, York⁴⁴, and Worcester (to come into force July 2014)⁴⁵ have introduced city-wide directions. The most common trigger in these towns is concerns over 'studentification', though coastal towns have also sought to restrict further HMO development; e.g. Blackpool has three areas covered by Article 4 Directions⁴⁶.

Though Article 4 directions are usually intended to limit HMO developments, the impact can actually be to lock-in HMO properties as a feature of the local housing stock. That is because properties with a C4 use class become more valuable than other similar properties. For example in Manchester there is a trend of more students being housed in halls of residence closer to the city centre, but that does not mean HMOs will return to being single family dwellings:

"If those properties turn over to void, the landlords are not going to say, let's stick this £350k house on the market for £125k to see if I can get a family walking in... If I was a landlord in this area with a 9 bed house, I would look at the welfare reform bill, and....would chop it up into bedsits, I would get single males under the age of 35 in there..."⁴⁷

This quote is also interesting as it illustrates that "bedsit" type accommodation – currently a very small part of the housing stock - may become a more significant part of the stock as a result of the welfare changes.

Immigration Policy

The Government introduced requirements for landlords to check migrants' immigration status. The Home Affairs Select Committee⁴⁸, and Migrants Rights Network have expressed concern that the result will be to further restrict migrants' ability to access decent housing.

42 <http://www.oxford.gov.uk/PageRender/decP/PlanningandHousesinMultipleOccupation.htm>

43 <http://www.southampton.gov.uk/s-environment/planning/hmo.aspx>

44 http://www.york.gov.uk/news/article/279/cabinet_comprehensive_review_on_houses_in_multiple_occupation

45 <http://www.worcester.gov.uk/index.php?id=1107>

46 <http://www.blackpool.gov.uk/Residents/Planning-environment-and-community/Planning/Article-4-direction.aspx>

47 Interview with senior figure, student letting

48 <http://www.publications.parliament.uk/pa/cm201314/cmselect/cmhaff/616/61605.htm>

4. The geography of HMOs

Analysis of data returns from CLG shows how HMOs are concentrated in four types of area – London; university towns; coastal towns; and areas with a high concentration of migrants. The maps below are derived from Census data, the concentrations broadly mirror the CLG data.

Figure 1: Census 2011: "Multi-person households, other" % by Ward, data via Nomis



This map shows an overwhelming concentration of non-student house and flat sharers (multi-person households) in London, compared to the rest of the country

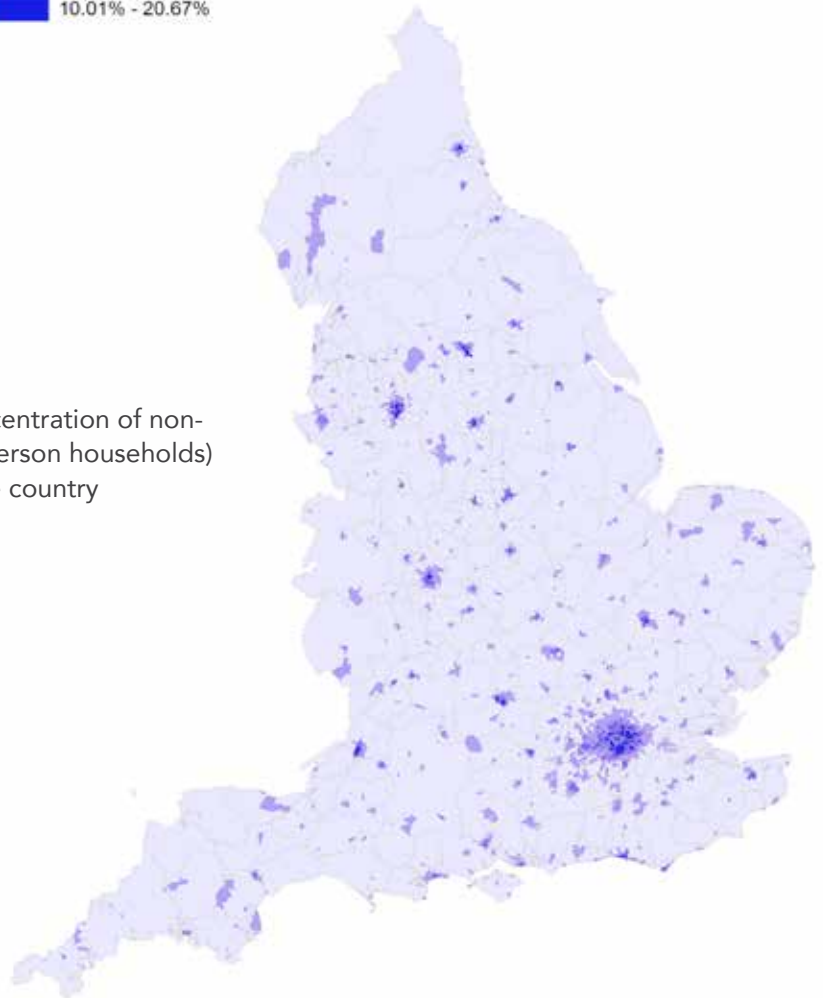
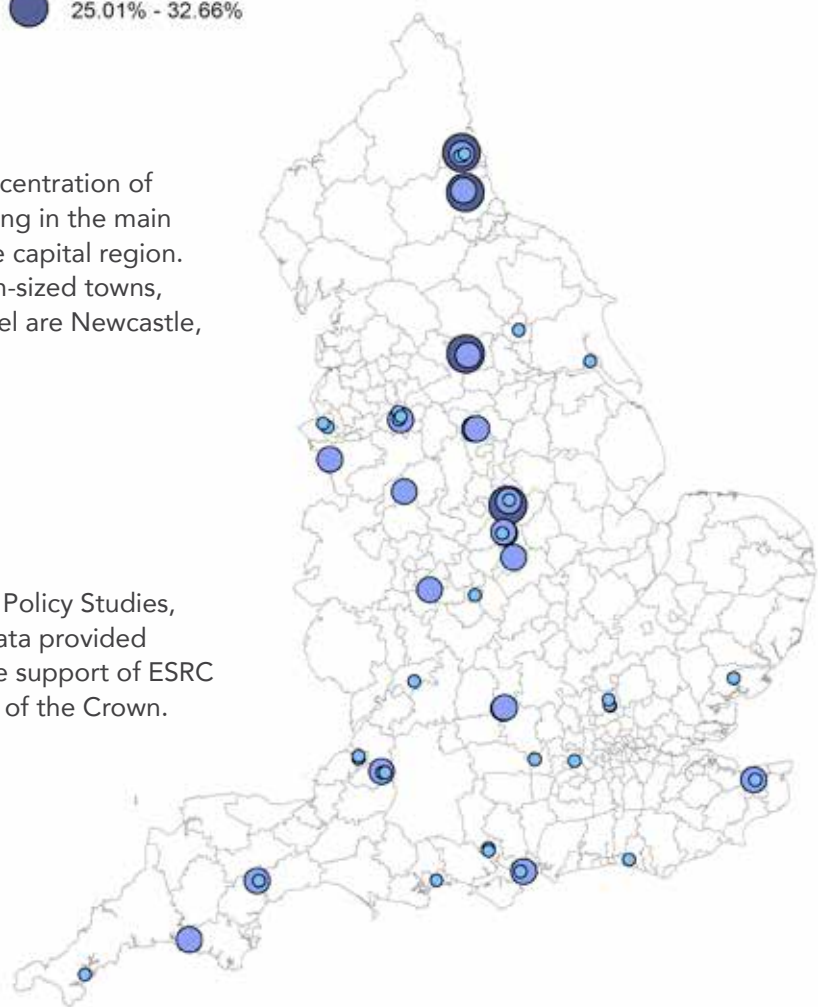


Figure 2: Census 2011: "Multi-person households: full-time students" % by Ward, data via Nomis



This map shows an overwhelming concentration of full-time student house HMOs clustering in the main university towns, mainly outside of the capital region. Notable concentrations are in medium-sized towns, the largest concentrations at ward level are Newcastle, Durham, Leeds and Nottingham.

Both charts (c) 2014 Centre for Urban Policy Studies, University of Manchester. Boundary data provided through EDINA UK BORDERS with the support of ESRC JISC. Boundary material is copyright of the Crown.



London

London's unique housing situation can be characterised by high demand and continued high projections in terms of household growth (68% of the projected household growth to 2031 is attributed to formation of new single households), extremely unaffordable housing market, a lower level of home ownership than the national average, and stark asset inequalities both within London, and compared with the rest of the country⁴⁹.

Consequently, HMOs in London are traditionally an important source of affordable housing; Smith estimates that almost a third of all HMOs in the country are in the London boroughs⁵⁰.

Our analysis shows that in the 2011 Census, 12.7% of London dwellings were a 'Flat, maisonette or apartment: Part of a converted or shared house (including bed-sits)', well above the national average of 4.3%.

University towns

The previous Labour government's vision for promoting higher education without providing adequate housing solutions for the burgeoning student numbers has been criticised, as it has led to a sharp rise particularly in PRS student HMOs on the one hand, and expensive halls of residence funded by private finance on the other⁵¹.

Based on 2007 CLG data, it is estimated that 41.4% of all HMOs in England are situated in local authority districts with one or more universities (excluding London and coastal towns)⁵²:

*"Of the 156 872 HMO within, what can be termed, university local authority areas, totals are highest in: Liverpool (13 000), Manchester (9155), Leeds (7622), Southampton (7600), Bristol (7500), Nottingham (6900), Sheffield (6881) and Newcastle-upon-Tyne (6500); metropolitan locations where the local opposition to the growth of HMO from established residential communities has generally been most marked."*⁵³

Our own analysis in Figure 2 shows that the highest concentrations as a proportion of student HMOs at ward level (rather than absolute numbers) based on the 2011 Census are in Newcastle, Durham, Leeds and Nottingham.

Coastal towns

A concentration of typically large HMOs in coastal towns has emerged as former hotels and guesthouses are converted into bedsits following low demand in the generally fragile local economies:

*"The housing market in Margate was affected even more dramatically than the labour market. The reduced number of holidaymakers left the town with an over-supply of rooms in hotels and B&Bs. Struggling to find customers, many landlords sub-divided their properties into bed-sits and small flats and made them available to benefit recipient and low-income, often single-person, households"*⁵⁴

49 McCarvill et al 2012: 6-7

50 Smith 2012: 464

51 Smith 2008: 2541-44

52 ibid

53 ibid

54 Rickley and Houghton 2009: 48

The supply of cheap accommodation in Margate, and in many comparable seaside towns in often geographically isolated coastal areas attracted a large number of 'vulnerable' and 'transient' households, such as care leavers, ex-offenders, people with substance misuse problems, and in some cases, migrant workers from EU accession state countries⁵⁵:

*"the supply of coastal HMO funnels some of the most deprived, and less mobile, social groups into neighbourhoods where employment prospects and opportunities for upward social mobility are highly constrained"*⁵⁶.

Research has been undertaken to explore how local authorities could reduce mental health risks associated with this type of HMO accommodation, see Barratt et al 2013.

Migrant Communities

Migrant workers

In several studies EU accession state migrants in particular are mentioned⁵⁷. The impact of new migrants arriving into specific locations for work in specific industries can have a sharp impact on local housing markets. In one example, Thetford in Norfolk, a JRF study⁵⁸ found that

"the number of HMOs grew from 40 to over 400 in only four years in response to the demand from EU accession state workers in the farming and food processing industries. Many of these properties were former council houses sold under the right to buy"

Asylum Seekers

Asylum seekers who are nearly always initially housed in HMOS are "allocated" to specific regions under agreements between the Home Office and local authorities, assuming that there will be no more than one asylum seeker per 200 residents, but these rates can be varied at the local authority level. As at April 2013, the department provided accommodation for 23,000 asylum seekers⁵⁹.

55 ibid

56 Smith 2012, p 472

57 Robinson 2010, Pemberton 2009, Rickley and Houghton 2009

58 Perry 2012, p.13

59 NAO 2013, p9

5. Energy use, energy efficiency and energy vulnerability in HMOs

Levels of energy efficiency in HMOs

The English Housing Survey (EHS)⁶⁰ is typically used to understand energy efficiency characteristics of the national housing stock.

Our analysis in section 2 and in the below, based on cross-referencing different data sources and survey methodologies, suggests that HMOs may be underrepresented in the 2011 EHS. While a review of EHS methodology is beyond the scope of this report, such a lower incidence would seem to point to under-sampling. This could be linked to the evidence from the Cathie Marsh Centre (see section 2) that HMO-type households are among the most likely to refuse to participate in official surveys.

Even if HMOs were fully sampled, the comparatively small proportion of these properties in the national housing stock – and resulting low number of cases in the EHS - means that analysis of HMO characteristics using EHS is very difficult. There are, for example, only 27 cases of bedsit properties in the whole sample, a statistically insignificant number. Meanwhile, 5257 HMOs cannot be identified in the EHS separate from other types of flats in converted buildings.

Because there isn't a large enough sample to assess HMO energy efficiency in EHS, we have looked at a wider group of larger PRS properties in urban areas⁶¹, which includes many HMOs. These are very likely to be older properties (34% pre-1919) with uninsulated solid brick walls (48%). Levels of insulation are lower than for other properties in same area, or indeed across the national stock, and fuel poverty is very prevalent, with 26% of these homes deemed as being in fuel poverty. Damp (12.7%) and condensation (9.1%) are more than twice as prevalent as in other types of homes, and the likelihood of the homes failing the Decent Homes Standard test of good repair is much higher than in other types of homes (9.4% vs 5.6%).

Electric heating is widely reported to more prevalent in HMOs than in non-HMOs⁶². Evidence from EHS is mixed on this point and complicated by very small sample sizes. 7.8% of larger households (containing 3 people or over) in the PRS have electric heating – this is a significantly higher percentage than for large households in other tenures (3.5 %). However, across all tenures, larger households in general are much less likely than small households to be using electric heating (4.3% vs 11.2%)

Bedsit HMO units may be assumed to have similar characteristics to small, single person private rented flats in more deprived urban areas. Looking at these flats, electric heating is massively prevalent - in 42% of properties (compared to 17% in all PRS homes). Electric heating systems in the private rented sector are often very old – 38% over 12 years old.

⁶⁰ References to English Housing Survey are based on analysis of the 2010/11 dataset - CLG 2013

⁶¹ We excluded larger PRS homes in the 20% least deprived urban wards as less likely to be HMOs.

⁶² For example Islington Council told us that gas heating was the main fuel used in HMOs but that electric heating was more prevalent than in other types of property.

The tenant experience

As part of the HOME project, a significant gap was identified in terms of detailed studies specific to the tenant experience of HMOs. However, there is a growing set of qualitative and quantitative data about the experience of tenants at the cheaper end of the PRS, some of which includes HMOs.

A 2013 NUS survey of students⁶³ in the PRS found that 71 per cent live in shared housing with other students, friends or other unrelated people. And among students in the PRS:

- 52% report problems with condensation, 47% mould and 41% damp
- 53% have felt uncomfortably cold in their current accommodation
- 48% said their accommodation was poorly insulated/draughty
- 76% limit the length of time they have the heating turned on to save money on energy bills
- 29% said the amount of heating they use causes arguments amongst the people sharing their accommodation

The NUS state in relation to the over half of students who reported struggling with condensation, damp or mould that “this suggests there may be systemic problems with the insulation of students’ rented homes and [the percentage] is much higher than the nine per cent of private rented sector homes that the Department of Communities and Local Government believes to have damp, condensation or mould problems across the sector.”⁶⁴

Condensation, damp and mould also emerge as a major part of the tenant experience in two recent studies looking at the experience of homeless people moving on into rented accommodation. Neither is specific to HMOs but taken together they offer a remarkably consistent picture of life in the cheapest private rented properties.

The Sheffield University *For-Home* three-year study (2007-2010) followed PRS tenants for 15-18 months: at the end of the study 25% of PRS tenants had ongoing problems with faulty heating or boilers; 25% had problems with damp or mould; and 20% had damaged windows.⁶⁵ . The same themes (long delays for repairs, damp and mould) was observed in *Sustain*, a 2013 Shelter/Crisis study. In the most acute situations of poorly insulated properties residents struggle daily to balance ventilation (to prevent mould), adequate heating and energy bills:

*‘This flat gets, it gets a lot of mould around. I’ve been cleaning it a lot, even though I have said to the landlord, “Look, your house is getting very mouldy, it’s got a lot of mould which is not good for my husband”. He goes, “Just open the windows”. I said, “How can I open the windows? I’ve got kids in this; my husband will catch cold because he gets a chest infection very quickly’. So basically I have to put more and more heating to keep this place warm, and like I said, the bills just catch up on that.’*⁶⁶

63 NUS 2014 and email communication with key PRS findings of this study from NUS representative, March 2014

64 NUS 2014, p 41

65 Crane et al 2011, p 38

66 Smith, Albanese & Truder, 2014, p24

One study focusing on HMO residents in the east of England highlighted how HMOs offer significantly less control than other types of housing, and that this lack of control is among the most pronounced risks for the mental health of occupants : "an inability to control circumstances within our own home may lead to feelings of low self-efficacy."⁶⁷.

⁶⁷ Barratt et al 2013, p 41

6. Improving conditions in HMOs: The policy framework

Housing Act 2004

Housing standards in HMOs are principally regulated by local authorities under powers and duties conferred on them in the 2004 Housing Act. This act set up:- mandatory licensing of large HMOs; powers to license other HMOs and PRS properties in areas where there are management problems; and a new framework for councils to tackle housing health and safety issues in private housing (Housing Health and Safety Rating System).

Our interviews with EHOs showed that in using these powers the emphasis is often on a pragmatic collaboration with landlords with formal enforcement action a rare, final option. It seems there is often more emphasis both in regulation and practice on mandatory action on fire safety than on the health risks from cold. This is despite the fact that the death rate linked to cold homes is higher than deaths caused by house fires⁶⁸ by an order of magnitude.

Housing Health and Safety Rating System (HHSRS) and HMOs

Two housing health and safety hazards assessed by councils relate directly to energy efficiency: "Excess cold" and "Damp and Mould Growth." HHSRS Operating Guidance states that the average likelihood of poor health from cold and damp is higher in HMOs than in single household dwellings.

Data from a survey undertaken by Beach and Sale in 2010 of 32 councils for the National HMO Network (see Figures 3 and 4) assessed how environmental health officers were using HHSRS to identify problems and require improvements to heating systems and insulation in cold HMOs.

⁶⁸ 5400 cold related deaths per year, 340 people killed in house fires per year: source BBC and DECC Interim Hills Review. HHSRS operating guidance similarly shows that risk from cold is much greater than fire in HMOs. (<http://webarchive.nationalarchives.gov.uk/20121217150421/http://www.decc.gov.uk/assets/decc/11/funding-support/fuel-poverty/3226-fuel-poverty-review-interim-report.pdf>) , (<http://www.bbc.co.uk/news/uk-13851734>)

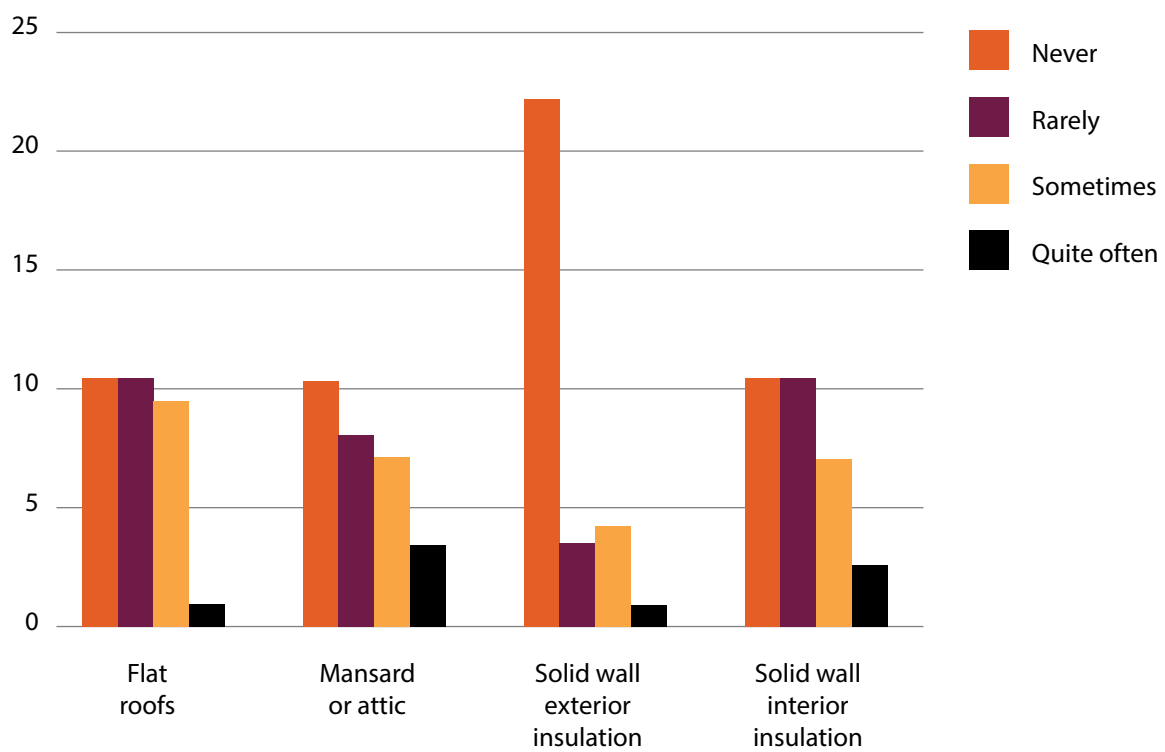
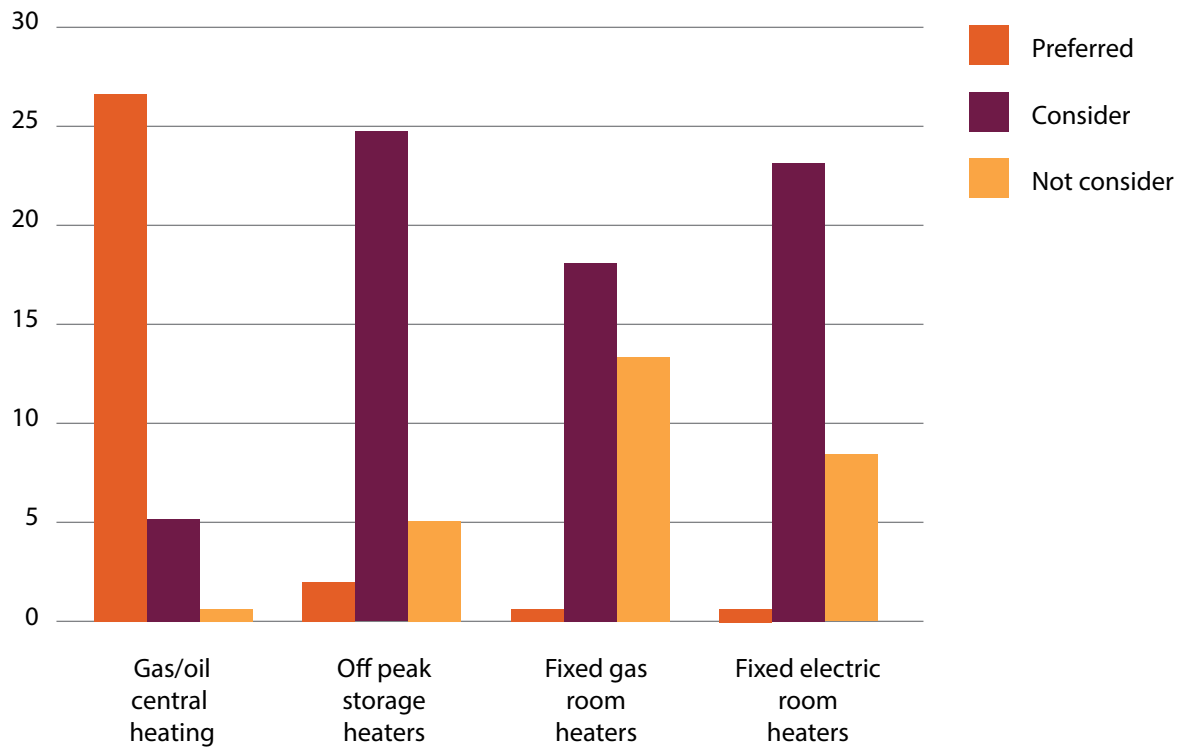


Figure 3&4: Beach and Sale, 2010

Figure 3 shows that while authorities prefer gas central heating – the most cost-effective heating solution, they will usually accept much less cost-effective heating systems in HMOs. This even extends to allowing very expensive on-peak electric room heaters – as is the case of Manchester; see Section 7 below.

Beach and Sale also found (figure 4) that the insulation standards expected of harder-to-insulate elements of HMOs⁶⁹ were also often low. Solid wall insulation is rarely or never required by the vast majority of authorities and insulation to attic spaces and flat roofs was rarely or never required in the majority of cases. Interviews conducted in this HOME study with EHOs have confirmed that enforcement decisions about insulation tend to be decided on a pragmatic basis around the costs and difficulty of installing measures.

There would therefore seem to be potential for HHSRS to be used more pro-actively by environmental health officers to seek improvements to heating systems and insulation in HMOs.

HMO Licensing

Mandatory local authority licensing of larger HMOs has been in place since 2006 and applies to all properties over three stories lived in by five or more people, forming two or more households. There is no evidence of the effectiveness of licensing in driving higher housing quality, though given that housing teams prioritise HMOs for HHSRS inspections, it would seem likely that licensed HMOs have been improved relative to other types of PRS property.

In addition to mandatory licensing, the 2004 Housing Act provides for additional licensing, applying to smaller or S257 HMOs. This can be introduced in areas where a *“significant proportion of the HMOsare being managed sufficiently ineffectively as to give rise, or to be likely to give rise, to one or more particular problems either for those occupying the HMOs or for members of the public.”*⁷⁰

In some authorities – such as Oxford and Croydon – additional licensing covers the whole council area.

Using licensing powers to promote energy efficiency

In setting conditions for mandatory and additional licensing, the Housing Act 2004 give councils a reasonable degree of flexibility⁷¹ to identify local priorities. This can include tackling cold HMOs, as follows:

- Using the prevalence of fuel poverty and cold homes as grounds for setting up an additional HMO licensing regime in a given area
- Setting a requirement for landlords produce energy performance certificates as a licence condition within mandatory or additional licensing
- Setting minimum standard for energy efficiency in properties as a licence condition, with an appropriate period of time for properties to reach the standard.

⁶⁹ Noting that HMOs typically being older properties are often hard-to-insulate

⁷⁰ Housing Act 2004, S56

⁷¹ Housing Act S67

Bath and North East Somerset Council offer the best example of all three aspects of this approach (See *Appendix 6: Minimum energy efficiency standards as a condition of HMO Licensing: the example of Bath and North East Somerset* for a detailed account). Additional licensing has been introduced in three wards in the city of Bath which have a significant concentration of HMOs and also a high level of fuel poverty. A licence condition now applies to the new additional licensed HMOs and any new mandatory licensed properties specifying that they should meet a minimum EPC standard of E within two years.

Existing mandatory licensed HMOs in Bath do not currently have to meet the EPC minimum standard. However, once the current licence expires (mandatory licences last for a maximum of 5 years), all new mandatory licences issued from July 2013 contain the condition. The majority of licences will expire and have to be re-issued in 2016/17, they will then have 2 years to comply with the condition, effectively meaning the majority will need to comply with the standard by 2018/19.

The Bath approach has some limitations:

- Firstly, landlords who cannot reach the “E” standard with Green Deal or ECO funding are required to undertake only the energy efficiency actions that can be fully funded under the two funding schemes. In fact, given the difficulties of the Green Deal and limits of ECO funding it is possible that very few energy efficiency improvements may be deliverable fully funded. This will be particularly the case in expensive-to-insulate, solid wall HMOs;
- The “minimum E” EPC standard introduced as the licence condition is not particularly ambitious. Consumer Futures have recently identified EPC E, F&G properties as “cold homes”, and that an EPC “D” standard could be achieved for properties in the E,F or G bands at an average cost of £4,550⁷².
- Thirdly, the Bath additional licensing excludes S257 HMOs. The council cite the complex freeholder/leaseholder/tenant arrangements in many of these blocks of flats as a reason to exclude them from the licensing requirements. But that could be a good reason to include these properties, where it can be difficult to get the multiple property owners to work together to achieve improvements.

In the light of the above we would recommend that other similar schemes should include a minimum contribution from landlords; be set at an EPC “D” standard; and should include S257 HMOs.

Selective licensing

Selective licensing is different to additional licensing and can be applied to all PRS homes in areas with problems of low demand or anti-social behaviour. The narrower criteria for selective licensing do not seem to offer the same opportunity to consider energy efficiency or fuel poverty as the basis for schemes, though the contact with landlord through selective licensing schemes could be used to promote energy efficiency.

⁷² Ending Cold Homes Consumer Futures, 2014 <http://www.consumerfutures.org.uk/files/2014/03/Ending-cold-homes.pdf>

Tackling Beds in Sheds

The illegal renting of overcrowded sub-standard accommodation has been sufficiently prominent for the Government to issue guidance and £4.8m of new funding in 2012 and 2013 to local authorities in investigating and taking enforcement action against 'rogue landlords'⁷³. For example, in Slough, the local authority is seeking to "levy council tax on some of the garden dwellings that are deemed acceptable for living in".⁷⁴ However, the "beds in sheds" policy has been criticised by the Home Affairs Select Committee as well as Migrants Rights Network for targeting "illegal immigrants" as a first order policy concern, rather than improving the poor standards of accommodation that legal migrants have to endure the UK.

Energy efficiency policy: The Energy Act 2011 and Energy Performance Certificate Requirements

Our thesis is that energy vulnerability in HMOs is increased because the marginal status of HMOs and their residents excludes them from policy and regulation, not least in energy efficiency and fuel poverty policy making. In this section we explain the technical and regulatory reasons that tend to exclude HMOs from the reach of the energy efficiency policy framework.

The Energy Act 2011 put in place three central components of the Government's policy framework for improving levels of home energy efficiency and reducing fuel poverty:

- The Green Deal which enables householders to install energy saving measures at no or lower upfront costs, with repayments made on the electricity bill over the lifetime of the measure. Uptake of Green Deal financing in its first year has been extremely low.
- The Energy Company Obligation (ECO) – which sets a mandatory target for energy suppliers to deliver carbon and bill savings in homes by promoting the installation of energy saving measures.
- Private Rented Sector minimum standards – powers to set a minimum Energy Performance Certificate standard for rented properties to take effect at the latest in 2018. The standard has been repeatedly indicated by government as likely to be EPC "E". Further, where tenants request Green Deal measures, landlords will be obliged to install these, from 2016.

Energy Performance Certificates

The 2011 Energy Act programmes relate in various ways to the existing requirements for homes to have an Energy Performance Certificate (EPC) at point of sale of letting (for example the Green Deal assessment involves the production of an EPC). Since 2007, an EPC has had to be made available free of charge to any prospective buyer or tenant of a property as part of the sale or rental process. More recently, the energy rating of the property has had to be displayed alongside any advertising of the property. However, these EPC rules do not apply at the point of letting of individual rooms or bedsits in HMOs. Currently EPCs are required only in "group of sharers" scenario on a single tenancy (type 3 in our HMO typology – see Appendix 1) and in "poorly converted flats" that are self-contained (type 5).

73 DCLG 2012 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/7575/2206919.pdf

74 The BBC 30 January 2014, Somewhat bizarrely, the BBC also report Slough Council have attempted to prosecute landlords for failure to issue EPCs to tenants but have been unable to do so because garden sheds – intended to be unheated, unoccupied buildings – do not require EPCs. <http://www.bbc.co.uk/news/uk-england-berkshire-25947935>

EPCs are not required at the point of letting rooms or bedsits because the European Energy Performance of Buildings Directive states that an Energy Performance Certificate should be issued for sale or rental of buildings or building units, defining building units as “a section, floor or apartment within a building which is designed or altered to be used separately;”⁷⁵ which, the UK government have stated, therefore excludes non-self-contained dwelling units.

A consultation put out by the last government proposed extending this requirement for EPCs to HMOs⁷⁶, and received widespread support. But the government changed before the proposal could be enacted. The current government in its response to the consultation stated that EPC for HMO unit lettings would not be taken forward as this amounted to “goldplating” the European legislation⁷⁷.

What methodology should be used to produce EPCs for HMOs?

The methodology that should be used to produce EPCs (and energy assessments more generally) for different HMOs is a source of considerable confusion. We found examples of differing advice and practice across the sector - broadly that environmental health officers and some domestic energy assessors were relying on SAP, the energy assessment for dwellings, which the domestic energy assessment industry bodies are clear that SBEM – the non-domestic methodology - is the appropriate methodology for some HMOs. That’s because HMOs contain communal spaces that are not a feature of standard single family dwellings. Appendix 5 contains considerations on this point.

An extreme example of confusion in this area is Slough’s attempts to require EPCs on garden sheds used as illegal accommodation – see Footnote 74 above.

The appropriate methodology is an important question because, if a given HMO requires a non-domestic EPC it will be more complicated to assess for ECO and Green Deal, which principally rely on SAP energy assessments. Further, the EPC generated will be provided in a format designed for a business audience. This may be of little use to HMO tenants.

A recommendation of this report is a clearer guidance from Government on this issue. We also recommend that there should be guidance on assessment of units (rooms or bedsits) within HMOs that have been fitted with their own pre-payment meters. In these cases it is arguably more appropriate for an energy assessment at the unit level as different units in the same building may have different dimensions, heating systems and insulation resulting in very different energy costs. Further, assessment of cold in housing health and safety inspections are required to be carried out at the bedsit/dwelling unit level – rather than whole building level.

⁷⁵ *ibid*

⁷⁶ Add reference

⁷⁷ Add reference

PRS minimum standards and HMOs

There are two reasons why PRS minimum standards will not apply to HMOs let on a room-by-room basis:

- 1) Section 42 of the Energy Act defined a private rented sector property as one let under a single tenancy. Not all our interviewees agreed this was a barrier, depending on their view of the interpretation/implications of this section⁷⁸.
- 2) For HMOs let under multiple tenancies, there is no point at which an Energy Performance Certificate is required, and an EPC is required to act as a trigger for the minimum standards regulations. All our interviewees agreed this was a barrier.

This is a very significant omission and risks leaving vulnerable HMO tenants in dangerously cold homes which would not be allowed in the rest of the private rented sector.

Other barriers to HMOs within Energy Efficiency regulations

- Tenant Consent: Green Deal and ECO require tenant consent/notification; this is more problematic in properties with multiple households and occupiers.
- Prioritisation of HMOs within ECO: Energy suppliers will choose the most cost-effective way to hit their ECO targets. That means they will prioritise the most cost-effective measures in standard house type and HMOs are typically older properties requiring solid wall insulation and often other more expensive types of non-standard insulation. The multiple tenants are an added complication. In this sense HMOs face a more acute problem than the wider PRS which consistently misses out on energy supplier funding⁷⁹.
- Section 257 HMOs: while effectively standard properties for the regulatory purposes of the 2011 Energy Act may pose challenges. These are by definition poorly converted properties and the poor quality of the works may make further upgrades difficult. Further the fact that these properties are often leasehold with multiple tenants and landlords will make reaching agreement for building-scale works difficult.
- EPC Enforcement: Are HMOs issues with EPCs even when they are required? HMOs do require EPCs at point of sale or rental as a whole property. However, evidence provided by the Department for Communities and Local Government, suggests that there is around 75% non-compliance in the private rented sector with the requirements for EPCs at the point of letting⁸⁰.

⁷⁸ 2011 Energy Act, S42. Opinion of our interviewees differed on interpretation of this section, as to whether it was a barrier to inclusion of HMOs within the minimum standard regulations. All agreed that the exclusion for HMOs from EPC requirements at point of letting rooms was a barrier, however.

⁷⁹ By September 2013 10% and 7% of the CERO and CSCO sub-programmes respectively had gone to the PRS. 18% of the Affordable Warmth funding (which is restricted to private sector homes only) went to the PRS (DECC ECO/GD Q2 2013 Statistical Release, 19 Sept 2013). DECC's modelling predicts only 1% of CERO and CSCO funding going to PRS in the 2014-17 period – see DECC, 2014 p16

⁸⁰ Letter from DCLG to Dave Timms, Director 10:10, 16th Aug 2013 available here: <http://www.1010global.org/sites/default/files/uploads/ckfinder/files/130816%20-%20Final%20response%20letter%20to%20D%20Timms.pdf>

7. Manchester: A case study

Manchester has a high demand for HMOs, with two universities (77,000 students), but also requiring housing for asylum seekers and homelessness prevention. The Census 2011 recorded 6,403 (3%) full-time student households, and 14,725 (7%) 'other' multi-person households; a combined figure of 10% compared with the national average of 3.5% (0.5% student and 3% other multi-person households). There are around 1,100 HMOs on the mandatory licensing register falling into two main categories: student accommodation and hostel/B&B, the latter accommodating mainly single males. Manchester Student Homes, a voluntary accreditation scheme and letting agency for student landlords, offers 5,500 HMO bedspaces, and there are other large student letting agents in the area with additional HMO properties.

The geographic spread of the licensed HMO accommodation under the mandatory scheme is shown in Figure 5. The cluster of HMOs shown in the south-central wards of Withington, Old Moat and Fallowfield, Moss Side, Rusholme and Longsight largely represent the local concentration of student housing. The dots on the map in the rest of the city are mainly bedsits or hostels.



Figure 5: Licensed HMOs in Manchester, data from Manchester City Council's register of licensed HMOs (2013)

(c) 2014 Centre for Urban Policy Studies, University of Manchester. Boundary data provided through EDINA UKBORDERS with the support of ESRC JISC. Boundary material is copyright of the Crown

HMO licensing in Manchester: the resourcing challenge

Manchester has struggled with resourcing HMO environmental health activity. An early selective licensing scheme for the PRS in parts of the city was criticised due to very low levels of enforcement, and no further selective or additional licensing has been taken forward.

Currently, there is very little focus on energy in the mandatory HMO licensing process - most attention for compliance with licence conditions is on basic health and safety. In terms of energy efficiency, in order to get a license granted or renewed, a HMO needs to have "fixed heating" (i.e. portable heaters not acceptable) and windows in "decent repair".

Manchester City Council's (MCC) staff numbers reduced by more than 2,000 full time equivalent staff between December 2010 and October 2012⁸¹ and this has reduced organisational capacity to tackle HMOs and the PRS.

"We had a specialist HMO team, there isn't a specialist HMO team anymore. There are some specialists that deal with HMOs." (Senior figure, Greater Manchester)

For example, prior to 2009, "excess cold/heat surveys" were carried out in Manchester which identified whether a property was a HMO, in order to recommend appropriate interventions. After 2009, however, such activities have ceased. This sort of cut back is likely to be mirrored in many of the large metropolitan areas in the North of England. This is a concern given the wide-spread non-compliance with EPCs discovered in a survey of private letting agents in Manchester.⁸²

Energy Issues and HMOs in Manchester

In terms of priority, interviewees in Manchester felt that energy issues in HMOs were not 'top of the list of priorities'. All interviewees felt there were 'bigger issues to be concerned about' with HMOs. Complaints to do with energy were not received from HMO occupants (by contrast, it was not uncommon for the Council to receive complaints from PRS family accommodation).

The view of Manchester Student Homes was similar in regard to energy issues in the student market: students do not understand EPCs and their house hunting criteria simply do not include energy efficiency at the moment. Instead, the main energy criteria students do consider is whether or not energy bills are included in the rent (70% of requests are for inclusive bills).

With the reduction in city-level organisation capacity, all of the new energy efficiency/ retrofit offer (Green Deal and ECO) is now channelled through the city region, Greater Manchester context. This work is unlikely to be targeted at HMOs or the PRS more widely, at least in the first few years before the market has matured:

"The programme has encouraged housing retrofit particularly in social sector to start with, beginning to engage with private owner occupied sector more through ECO and Green Deal". (Senior figure, Greater Manchester)

Furthermore, Manchester interviewees highlighted that it is politically difficult for the city council to direct resources towards the PRS with social landlords and owner occupiers being more acceptable recipients.

⁸¹ MCC 5 Dec 2012:

⁸² <http://www.manchesterfoe.org.uk/greater-manchester-estate-agents-failing-to-display-vital-home-energy-ratings/>

8. Opportunities and challenges for local authority action on cold HMOs

Despite the local authority resourcing challenges that are illustrated by our Manchester case study, there are still many positive examples of local authority action on cold or poor quality HMOs. We found recent examples of all the following practices:

- New data collection, housing stock modelling and analysis of HMO properties (in Haringey⁸³)
- Mandatory licensing and – increasingly - additional licensing, linking this to areas with high cold risks and requiring properties to produce EPCs and meet decent energy standards as a condition of licensing (in Bath and North East Somerset - see Section 6 above and Appendix 6 below)
- Grants for boiler replacement or insulation in HMOs (in Camden)
- Promotion of voluntary landlords accreditation schemes, often linking this to other incentives - reduced fees for licensing, or access to grants (in Nottingham)

Based on interviews, broadly the more proactive authorities are taking more joined up approaches – linking systematic data collection and targeting with robust HHSRS enforcement. At the same time, landlords encouraged to act through improvement grants and voluntary accreditation schemes.

Meanwhile, in speaking to housing teams and other interviewees we have identified the following challenges for local authorities in taking action on cold HMOs:

- HMO tenants move more often so are less involved in the condition of their properties (ie don't often report problems). Vulnerable tenants may also not perceive cold as a major issue against other challenges they face in their life⁸⁴.
- Existing practice, regulation and process in dealing with HMOs does not prioritise cold and energy issues;
- HMOs are not a political priority and there may be resistance to funding improvements in the sector (because seen as benefiting unscrupulous landlords);
- HMOs are often older poorly converted properties that are very likely to be hard to insulate, and with heating systems that are expensive to upgrade;
- The Housing Health and Safety Rating System principally assesses the dwelling unit for health hazards such as cold risk. It can be hard to build a strong case for action across the whole HMO property.
- Section 257 HMOs often have a freeholder, multiple leaseholders and tenants: agreeing action on energy efficiency across the building can be very challenging.
- Data remains a challenge - finding the unlicensed HMOs⁸⁵, beds in sheds and rogue landlords.

⁸³ Haringey, 2012

⁸⁴ Or see how it is linked to wider problems – the 2014 Shelter/Crisis study is very clear in identifying how energy issues – cost, cold, and heating system breakdowns – actually impact on other areas of tenants' lives – health, managing budgets, relations with other tenants.

⁸⁵ Noting that HMOs may be unlicensed either because they don't require a licence – not being large enough to meet mandatory licensing requirements - or because landlords have evaded licensing.

These HMO specific challenges sit alongside wider barriers to tackling cold private rented sector properties:

- The HHSRS risk assessment framework is complex, particularly in relation to assessing excess cold: environmental health officers find it difficult and expensive to prove that a property does have a cold hazard.
- Landlords have a well-documented lack of enthusiasm in making energy efficiency improvements, which they do not perceive translate into capital values
- Tenants may not raise the issue of cold or poor housing conditions because of a fear of being evicted (so called retaliatory eviction). There is no barrier to landlords evicting tenants who complain about housing conditions. Shelter report that around 2% of tenants have suffered a retaliatory eviction⁸⁶.

Over and above these challenges is the resourcing problem. A lack of funding to prioritise action on cold homes predates the financial crisis⁸⁷. But the austerity programme since 2010 has exacerbated these issues; a Unison study in 2012 identified how local authority environmental health services were being cut back: "The average budget allocated to environmental health services per head of the population has fallen by 8% in two years".⁸⁸

⁸⁶ <http://blog.shelter.org.uk/2014/03/cant-complain/>

⁸⁷ EEPH, 2008

⁸⁸ Note that this covers all environmental health services, not just housing. <https://www.unison.org.uk/upload/sharepoint/On%20line%20Catalogue/21257.pdf>

9. Conclusions and recommendations

There are several reasons why residents of HMOs have a higher risk of energy vulnerability than households who live in more traditional single family dwellings. The added risks to HMO occupants include the physical state of repair in the property, their social and economic status which is often associated with reduced or limited housing rights (e.g. migrants, young people), the incidence of 'rogue landlords' in the HMO sector, and the well-documented lack of enforcement of statutory HMO standards in many local authorities.

Many HMO occupants have very little or no control or choice over where they live, the most extreme examples coming from the re-housing of homeless people, migrants and asylum seekers. Furthermore, energy arrangements and control over heating are frequently more complicated than in single family accommodation.

With HMO residents having less choice and control than others in the housing market there is a strong case for extra regulatory intervention in HMOs compared with other types of housing. It is therefore shocking that, as things stand, HMOs will be substantially excluded from the government's proposed EPC "E" minimum energy efficiency standard for the private rented sector.

Instead, given the low incomes and vulnerability of the occupants, we suggest there is a case for HMOs to be brought to a higher standard than the rest of the PRS and that we should be rapidly working towards at least EPC "D" as the minimum considered acceptable in HMOs. Consumer Futures estimate the average cost of bringing detached homes to this standard as being £6,927⁸⁹.

There is no single policy that could be used to introduce such a "D" standard for HMOs. However, the following steps would move many HMOs towards this standard – at the same time as the wider PRS is moving towards an E standard by 2018:

Government should level the playing field around energy efficiency policy – ensuring that HMOs are reached equally with other homes by the key policies – EPC requirements, ECO and the minimum "E" PRS standards. This would involve:

- A requirement for a building level Energy Performance Certificates to be issued to HMO tenants at point of letting (certificate to be produced at the individual bedsit level when the bedsit has its own electricity meter);
- Provide clarity around the methodology to be used in undertaking energy assessments in HMOs;
- Introduce a private rented sector sub-target within ECO, and monitor the number of HMOs reached by ECO;
- Tackle some of the barriers to energy efficiency in the wider PRS, for example, introduction of measures to prevent retaliatory evictions when tenants complain about basic housing quality issues (as has been recently discussed by DCLG⁹⁰);

89 Consumer Futures, 2014

90 DCLG, 2014

Promote an EPC “D” standard in licensing and encourage co-ordinated, effective local authority action on cold HMOs. Government should encourage local authorities to:

- Consider additional licensing programmes – covering smaller HMOs and S257 HMOs - in areas where there are concentrations of fuel poverty and very energy inefficient HMOs;
- Introduce minimum EPC “D” standard (alongside a requirement for EPCs to be produced) as a condition of HMO licensing. This should give landlords time to meet the standard but should also include a requirement for them to contribute towards costs of upgrade works. Councils should also seek to align grant and ECO funding to support landlords in making the improvements;
- Take more robust action in requiring insulation and lower cost heating systems in HMOs identified as an excess cold risk in housing health and safety inspections;
- Better monitor excess cold and damp risks in HMOs.

Many people living in HMOs are placed there by government. Local authorities, central government bodies and agencies placing homeless people or asylum seekers in HMOs should adopt a minimum “D” energy performance standard as a key housing quality criterion.

Better use can be made of planning powers in ensuring that high quality HMOs are a planned part of communities. Local dialogues about HMOs have been dominated by concerns about anti-social behaviour and studentification. A positive planning dialogue focused on the role of HMOs in meeting housing need could be taken forward through new localised planning powers.

Our report has highlighted how the problem of cold HMOs cannot be considered separately from the operation of the UK housing market. Minimum EPC standards for HMOs and the wider PRS will inevitably have knock on effects on housing supply and transfers within and between tenures. To mitigate against an ambitious minimum standard impacting on supply of HMOs we suggest that government needs to signal a minimum EPC standard to apply to all properties regardless of tenure. This would be the first step in a longer term trajectory for improving home energy performance.

There is a great need for central and local government to work together on accurate data on HMOs. More consistency in the definitions of HMOs would help, as would central data on local authority activity – particularly what additional licensing has been introduced, grounds for additional licensing schemes and HHSRS housing risks identified. Transparency about the costs and impacts of additional licensing schemes might also encourage more widespread adoption.

There is a broad lack of recognition of HMOs in energy efficiency and fuel poverty policy and programmes, as detailed in this report. Building the dynamic between policy and research – of which we hope this report is a first step - is key to address the issues, ensuring a positive feedback loop⁹¹ between research, policy and frontline practice for energy efficiency in HMOs.

Shared housing can be an important part of UK's housing future. Increasingly, people are living alone, a mode of living that – if very widespread - is as wasteful of energy as it is socially atomising. A new model of shared housing could see more single people actively choosing to share part of their homes and their lives as a matter of preference rather than abject lack of choice as is often the case currently. Warm, affordable, environmentally sustainable HMOs have to be at the very centre of that positive vision.

⁹¹ See eg Keall et al 2010

APPENDIX 1: An HMO typology for energy policy makers

	1 "Illegal/informal"		2 "Rooms in a shared house"		3 "Group of sharers"		4 "Bedsits"			5 "Poorly converted flats"		
Shared housing scenario	Informal house/ flat/ room share, tenancy agreements informal, absent, or illegal		Formal house/ flat share (individual tenancies)		Formal house/ flat share (tenants jointly and severally liable)		Bedsits or other non-fully self-contained dwelling units (each let under individual tenancies). May be hostel/B&B			Section 257 HMO: self-contained, converted building non-compliant with building regs (individual tenancies)		
Energy payment	Paid pro rata by tenants	Inc in rent	Paid pro rata by tenants	Inc in rent	Paid pro rata by tenants	Inc in rent	Individual meter	Inc in rent	Individual meter	Inc in rent	Individual meter	
Utility contract holder	Tenant	Landlord	Tenant	Landlord	Tenant	Landlord	Tenant	Landlord	Tenant	Landlord	Landlord	
Example Heating system	Portable electric room heaters		Gas central heating		Gas central heating		Electric storage heaters in each unit			Various		
Building typology	Very varied - non-domestic or domestic properties used as shared accommodation.		Unconverted, self-contained property with tenants each renting a room		Unconverted, self-contained property with tenants renting a house or a flat as a group.		House converted into partially self contained units (ie with mini-kitchen and/or bathroom) sharing some facilities or otherwise not fully self-contained (eg toilet on separate floor).			House converted into fully self-contained units.		
Assessment method*	SAP/SBEM		SAP		SAP		SBEM			SAP		
Pathway to enforcement/ improvement	Very challenging. Potentially environmental health officers/ use other frameworks (e.g. council tax, overcrowding) to deal with compliance		Potentially at the point of rental – EPC not currently required. Letting agents could be key, also landlord accreditation. Tenant awareness/ behaviour change has potential.		At the point of rental, EPC required. Letting agents/ could be key, also landlord accreditation. Tenant awareness/ behaviour change has potential.		Potentially through local authority or government agencies referral and/ or HMO licensing (locally agreed standards). EPC not currently required at the point of rental.			At the point of rental, EPC required. Letting agents key, but usually poor quality housing and expensive to retrofit.		
Indication as to numbers in this group**	By definition, hard to say. Ealing estimates 60,000 residents affected in their borough; Slough between 3,000 and 6,000 properties		Census: 0.5% full-time student households, and 666,810 (3%) 'other' multi-person households in England. The 2010/2011 English Housing Survey identifies 1.1% of homes shared by 2 or more families or more than 3 lone individuals.		Census estimates 0.1% of properties are bedsits. Non-fully self contained flats may be an additional group. Note estimated 88,000 people affected by shared room rate Welfare changes.			Census estimates 0.1% of properties are bedsits. Non-fully self contained flats may be an additional group. Note estimated 88,000 people affected by shared room rate Welfare changes.			4.3% of dwellings are in converted properties, but very far from all will be non-compliant with modern building regs.	

* Based on assumptions in Appendix 5. Additional official guidance required on this point.

** These numbers indicative only. HMOs more than any other type of home are likely to be uncounted in official surveys; Numbers are likely to be rising due to government policies

Appendix 2: HOME project aims and methodology

The HOME project aimed to:

- Map the manner in which policies impacting on energy use and management in HMOs have been structured and delivered;
- Pinpoint how the regulatory and policy framework that is relevant to the rise of fuel poverty among young families and migrants⁹² in HMOs is experienced and structured;
- Identify the ways in which HMOs and HMO occupiers are best understood for planning and delivery of energy efficiency interventions (creating a typology);
- Clarify the potential for changes to delivery arrangements, regulations and policies at local/city and national level to improve the uptake of energy efficiency measures in HMOs.

HMOs are known to be difficult to define, quantify and engage with through official statistics and channels. Therefore, the HOME project developed a mixed methods approach, drawing on a range of sources which included:

- Analysis of main policy, regulatory and legal frameworks governing standards and energy efficiency in the PRS and HMOs;
- Academic and grey literature review of HMOs and adjoining literatures, including the UK housing market, the PRS and fuel poverty/ energy vulnerability;
- Quantitative data analysis, identifying available data sources to quantify and characterise HMOs in England ;
- Semi-structured interviews at national and local level, including environmental health officers, housing and energy professionals, policy-makers and landlords;
- Stakeholder workshop bringing together experts on energy efficiency and housing;
- In order to create a HMO typology, we used a scenario technique, describing typical HMOs that were discovered during the research.

⁹² We were able to find specific evidence on the experience of migrants in HMOs, but not on the experience of young families.

Appendix 3: Counting HMOs through the Census

For the purpose of the HOME research project, various data sources were consulted in order to quantify the sector. The figures reported, deemed most reliable at the present time, are derived from the UK Census. Overall, it is important to note that the Census is not a perfect proxy for HMOs, as the Census definition of a household is different to that of the Housing Act 2004. Therefore, a range of statistics are reported below, together with their specific limitations. What might also be pertinent to note is that although the Census offers the most up-to-date statistics at the moment, the Census date of 27 March 2011 is before the substantial benefit changes came into force (see section 3.4 below), and they are widely thought to increase demand for HMOs for reasons elaborated later in this report.

The Census definitions of a household and household space are provided in Box 1.

Box 1: Census 2011 Household and household space definitions

Household: a household is one person living alone; or a group of people (not necessarily related) living at the same address who share cooking facilities and share a living room or sitting room or dining area.

Household space: A household space is the accommodation occupied by an individual household or, if unoccupied, available for an individual household.

Source: ONS (2009) Final population definitions for the 2011 Census⁹³

For example, the Census would consider a typical HMO shared house scenario of four adults sharing one flat or house, with three bedrooms, kitchen, bathroom and living room behind one front door as **one household living in an unshared dwelling**⁹⁴. By contrast, for the purposes for the Housing Act, most often non-related adults would be considered as separate households and thus the house would be classed as HMO.

Shared and unshared dwellings

The split between unshared and shared dwellings in England, according to 2011 Census, is 20,618 (0.1%) shared dwellings (two or more household spaces), and 22,955,448 (99.9%) of unshared dwellings⁹⁵.

It is useful to remember that this only captures the rather tight definition of shared dwellings where a number of conditions have to be satisfied:

⁹³ www.ons.gov.uk

⁹⁴ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/23928/120301_Derivation_of_Dwelling_count_from_2011_Census_-_separate_doc_for_web_publication.pdf

⁹⁵ <https://www.nomisweb.co.uk/census/2011/KS401EW/view/2092957699?cols=measures>

"A household's accommodation is defined as being in a shared dwelling if it has accommodation type 'part of a converted or shared house', not all the rooms (including bathroom and toilet, if any) are behind a door that only that household can use and there is at least one other such household space at the same address with which it can be combined to form the shared dwelling. If any of these conditions are not met, the household space forms an unshared dwelling."⁹⁶

Household spaces

According to the 2011 Census, there were **984,284 household spaces reported as "Flat, maisonette or apartment: Part of a converted or shared house (including bed-sits)"**, this is 4.3% of all household spaces in England (23,044,097)⁹⁷. In the 2001 Census, the statistics were remarkably similar: 997,567 dwellings, which equated to 4.43% of all dwellings.

This definition will capture a large number of HMOs, but it would not be sensitive to unconverted house shares, and equally, it will capture some entirely self-contained flats in converted houses, many of which might be compliant with building regulations therefore not classed as s257 HMOs.

Household type

The Census also gather information about 'household type', where the categories are 'one person', Married/same-sex civil partnership couple'; 'Cohabiting couple'; 'Lone parent'; and 'Multi-person household'. The '**Multi-person household**' question is further divided into two sub-categories, 'full-time student households' and 'other multi-person households'. These type of households are generally considered to be house of flat sharers, understood in the Census as one households as they share a living accommodation, therefore this question is a useful proxy for typical shared house HMO types, but not self-contained HMOs.

The Census question on "*multi-person households*" returned 120,870 (0.5%) full-time student households, and 666,810 (3%) 'other' multi-person households in England.

Limitations

Apart from the obvious mismatch between the definitional issues of what constitutes a household for the purposes of the Housing Act 2004 and the Census, there are other limitations to do with Census data. The Census has a range of biases, which are important when it comes to groups of people typically living in multiple occupancy housing. The Cathie Marsh Centre for Census Survey at the University of Manchester has carried out research into the proportion of the population missed out in the Census in Australia, Britain, Canada and the USA, and found that non-response rates are highest with the following groups:

- single and divorced males
- recent migrants
- unemployed
- minority ethnic groups

⁹⁶ <https://www.gov.uk/definitions-of-general-housing-terms>

⁹⁷ <https://www.nomisweb.co.uk/census/2011/KS401EW/view/2092957699?cols=measures>

- private renters
- those who share a dwelling with other households or with a business.

In the UK, the researchers estimated that approximately 1.5% of the population was missed out from the 1991 Census. When considered as a proportion of the typical HMO occupants, the potential bias could be significant and most likely resulting from non-response among key HMO tenant groups: single males, new migrants, private renters and house sharers generally.

Appendix 4: Housing of asylum seekers in HMOs

The Home Office has a duty to house asylum seekers, under the Immigration and Asylum Act 1999. As at April 2013, the department provided accommodation for 23,000 asylum seekers⁹⁸. Asylum seekers are “dispersed” into six regions, based on quotas and agreements with local authorities, after most are initially received in the asylum screening unit in Croydon; only in exceptional cases will asylum seekers stay London after this initial period:

“Dispersal accommodation is located in particular areas in the community where the local authority has agreed to take asylum seekers up to a defined cluster limit (defined as an assumption that there will be no more than one asylum seeker per 200 residents, based on the 2001 census figures for population). In some areas local authorities have agreed a variation to this arrangement with the Department. Not all local authorities currently participate.”

The new COMPASS contract, which designates named contractors for the six government regions, has come under scrutiny, as especially G4S and Serco encountered difficulties in securing adequate accommodation, and failed to carry out inspection of the properties:

Both G4S and Serco took on housing stock during the transition from previous Target suppliers without carrying out full inspections, and subsequently found that many of the properties did not meet the contractual standards on quality.⁹⁹

There is very little detailed evidence of the type of failings these properties have, but it is likely that they are in the usual categories of problems in HMO accommodation, discussed elsewhere in the report. Specifically to do with energy, NAO quoted evidence where *“G4S has experienced problems with some of its subcontractors since the contract became operational – for example, one subcontractor has failed to pay utility bills, resulting in problems for the occupants of the properties.”*¹⁰⁰

Following complaints, the Home Office carried out property inspections, and established that *“many properties remain below the required contractual standard, for reasons ranging from minor to major defects.”*¹⁰¹ Additionally, the NAO reported that service users and their representatives have given evidence about particular concerns residents have about the *“quality of the accommodation where backlogs in maintenance work are not being addressed by providers in the contractual time frames”*¹⁰².

98 National Audit Office 2014, p9

99 Ibid p. 5

100 Ibid p. 30

101 Ibid p. 6

102 Ibid p. 6

Appendix 5: Energy assessments for HMOs

The question of the appropriate methodology for energy assessments in HMOs has two distinct aspects:

Do some HMOs require non-domestic EPCs under UK law?

Depending on whether a whole HMO is officially a “dwelling” or non-dwelling for the purposes of the Energy Performance of Buildings Regulations a different methodology will be required.

Does the domestic energy assessment methodology (RDSAP¹⁰³) work for HMOs?

The domestic sector energy assessment methodology is designed for homes without shared facilities. SAP calculates an estimate of energy use based on an understanding of patterns of energy use in typical UK dwellings - for example it estimates hot water use from an algorithm based on a assumed number of people occupying the property, which is based in turn on the given floor area of the property. As such properties with shared facilities cannot be assessed using SAP – because the shared facilities cannot be allocated to any particular dwelling unit.

Pending a clear government statement on these issues, some relevant considerations may be the following:

An HMO designed for use as a single family dwelling and with no specific modifications to adapt it to use by multiple households would seem suitable for assessment using RDSAP. This is because SAP is an asset rating (ie it assesses typical energy use of the building independently of how it is currently occupied). Even if the property is currently lived in as an HMO, it is still, as a building asset, designed as a single family dwelling.

An HMO which has undergone modifications to create partially self-contained bedsit units may requires assessment using SBEM, because the property is no longer, as an asset, designed for single family use.

However, an alternative perspective on this issue could be that as all HMOs are not in a “dwellinghouse” use class in planning terms, no HMO is suitable for assessment using a methodology designed for dwellings.

¹⁰³ Standard Assessment Procedure – SAP – is the approved national calculation methodology for home energy performance and was designed for newbuild properties. Because existing homes can be hard to assess (insulation is usually hidden behind walls for example) the Reduced Data SAP methodology is approved for use in these homes. RDSAP makes assumptions about property characteristics – for example typical insulation on the basis of property age.

Appendix 6: Minimum energy efficiency standards as a condition of HMO licensing: the example of Bath and North East Somerset

Of the privately rented stock in Bath and North East Somerset, 6,310 dwellings (4,420 buildings) are defined under the Housing Act 2004 as Houses in Multiple Occupation (HMOs) (ORS, 2012). 3,850 of these are described as 'house' (S254) HMOs and the remainder are S257 HMOs.

Excess cold has been identified as the principal cause of health and safety hazards in the HMOs that had been licensed to date under the mandatory licensing scheme – accounting for 28.9% of the hazards identified (25% of the HMOs licensed have been identified with a serious health and safety hazard). Although damp and mould growth does not feature as a major hazard, over a quarter (27%) of the complaints received by the council about damp and mould relate to HMOs.

An Article 4 planning direction (requiring planning permission before properties are converted to HMOs) has covered the whole of Bath since 2013. Additional licensing has now (Jan 2014) been introduced in three wards in Bath with a significant concentration of HMOs and also a high level of fuel poverty. Of Bath and North East Somerset's HMOs, over 50% are concentrated in the three wards affected by the additional licensing regime. This will bring around an additional 1000 properties into the scope of HMO licensing, beyond the 400 properties that already required mandatory licences.

Additional licensing has not been applied to S257 HMOs due to the problems with these properties moving in and out of the official HMO designation and because of the complexity of working with multiple leaseholders, freeholders and tenants.

A licence condition now applied both to the additional licensed HMOs and the mandatory licensed properties is for properties to meet a minimum EPC standard of E within two years. An EPC "C" standard was considered but was rejected following consultation as being too onerous on landlords. The terms and conditions of the Licence read:

"Within 2 years from the date of licensing, the licensed property must achieve a minimum energy efficiency rating of "E" as determined by an Energy Performance Certificate (EPC).

This condition will be met if the licenced property has reached an energy efficiency rating of "E" or the maximum package of measures that can be funded under the Green Deal and ECO (Energy Company Obligation) have been carried out, even if this does not take the energy rating up to an "E". A copy of the latest EPC to be provided on demand."

Previously, existing mandatory licenced HMOs did not currently have to meet the minimum standard. However, once the current licence expires (mandatory licences last for a maximum of 5 years), all new mandatory licences issued from July 2013 will contain the condition. The majority of licences will expire and have to be re-issued in 2016/17, they will then have 2 years to comply with the condition, effectively meaning the majority will need to comply with the standard by 2018/19.

Limitations of the Bath and North East Somerset approach

The Bath approach has some limitations.

- Firstly, landlords who cannot reach the “E” standard with Green Deal or ECO funding are required to undertake only the energy efficiency actions that can be fully funded under the two funding schemes. In fact, given the difficulties of the Green Deal and limits of ECO funding it is possible that very little activity may be deliverable fully funded. This will be particularly the case in expensive-to-insulate, solid wall HMOs (probably the majority of the stock);
- The “minimum E” EPC standard introduced as the licence condition is not particularly ambitious. Consumer Futures have recently identified EPC E,F&G properties as “cold homes”, and that an EPC “D” standard could be achieved for the average property in these bands at an average cost of £4,550¹⁰⁴;
- Thirdly, the Bath additional licensing excludes S257 HMOs. The council cite the complex freeholder/leaseholder/tenant arrangements in many of these blocks of flats as a reason to exclude them from the licensing requirements. But that could be a good reason to include these properties, where it can be difficult to get the multiple property owners to work together to achieve improvements.

In the light of the above we would recommend that other similar schemes should include a minimum contribution from landlords; be set at an EPC “D” standard; and should include S257 HMOs.

¹⁰⁴ *Ending Cold Homes* Consumer Futures, 2014 <http://www.consumerfutures.org.uk/files/2014/03/Ending-cold-homes.pdf>

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Appendix 8: List of stakeholders interviewed or consulted in the course of this project

Telephone or face to face interviews:

- Department of Communities and Local Government
- Department for Energy and Climate Change
- Association of Greater Manchester Authorities
- Manchester City Council
- Greater Manchester Energy Advice Service
- Manchester Student Homes
- London Borough of Islington
- London Borough of Wandsworth
- Hastings Borough Council
- Hull Council
- Oxford Council
- Bath and North East Somerset Council
- Consumer Futures
- Crisis
- London Borough of Camden
- National Union of Students
- HMO Landlord in London
- BRE
- Association for the Conservation of Energy
- Generation Rent (formerly National Private Tenants Organisation)
- University of Essex (academic)

Email discussions

- National Energy Action
- Shelter
- Property Energy Professionals Associations
- Additional staff (as well as the principal interviewee) in DECC, CLG and BRE.

Presentation and discussion at Working Group

- Chartered Institute of Environmental Health PRS Standards Group (Group of mainly London based Environmental Health Officers)

Attendees at Round Table to discuss interim findings

<ul style="list-style-type: none">• DECC• DCLG• Oxford City Council• Bristol City Council• Essex University• Oxford University/Environmental Change Institute	<ul style="list-style-type: none">• London Landlord Accreditation Scheme• HMO Landlord• Generation Rent• Crisis• National Union of Students• Property and Energy Professionals Association• Association for the Conservation of Energy
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Future Climate

