



*Action for Warm Homes*



Department  
of Energy &  
Climate Change

# Fuel Poverty and Houses in Multiple Occupation: Practitioners' Views

## FINAL REPORT

Produced for DECC by National Energy Action working with Future Climate

March 2016

## Introduction

National Energy Action and Future Climate examined in detail the facts about fuel poverty and energy efficiency standards in Houses in Multiple Occupation (HMOs)<sup>1</sup>. In particular, the research sought to answer the following questions:

- Is there a problem of fuel poverty (broadly defined as energy efficiency problems leading to cold homes and high bills) in HMOs?
- Are HMOs more or less likely than other homes to be energy inefficient and, if so, what are the distinctive energy-related features and problems?
- How is energy paid for by consumers living in HMOs?
- How well are national policies and action from councils working to promote energy improvements in HMOs?
- How could policies be adjusted to improve the energy efficiency of HMOs?

The research surveyed 112 professionals that work with HMOs - mostly council environmental health and housing officers, but also landlords and representatives of voluntary groups and local advice providers. We also looked at the available literature on HMOs and energy efficiency (building on a detailed literature review undertaken by Future Climate and University of Manchester for eaga Charitable Trust in 2014). Telephone and face-to-face interviews were undertaken with HMO specialists to provide more detailed insights into the issues identified. Results from the research have helped to establish perhaps the most comprehensive overview to date on fuel poverty and energy efficiency standards in HMOs.

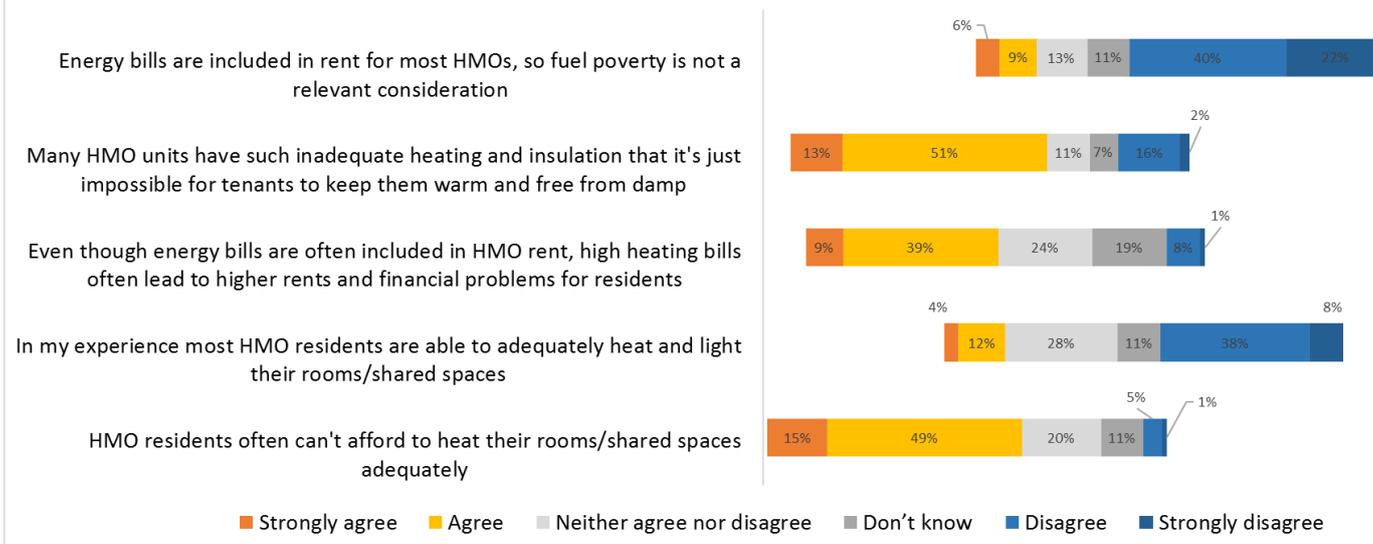
## Summary of the key findings

In summary, professionals surveyed told us that energy efficiency problems (damp and uncomfortable/unhealthily low temperatures) are more prevalent in HMOs than in other types of homes and that there are some distinct energy efficiency problems in HMOs. In particular, HMOs tend to have old and expensive electric heating (many HMOs use direct electric heating for primary space heating) and uninsulated rooms in roof spaces which can be freezing in winter and far too hot in summer. As shown in the Chart below, respondents told us that fuel poverty was a significant concern for HMO residents, specifically cold temperatures and unaffordable high energy bills:

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<sup>1</sup> We considered HMO as defined in 2004 Housing Act which includes private sector shared houses, flats, hostels and bedsit properties – any property lived in by three or more people in two or more households. This official definition of an HMO also includes poorly converted blocks of self-contained flats where more than a third of the flats are rented out – these are often referred to as Section 257 HMO after the section of the Housing Act where they are defined.

## Views on Energy Efficiency in HMOs



The HMO market is not homogenous; there is a market of decent quality HMOs for young professionals and better-off students (with references and deposits), however, HMOs also represent the cheapest and most readily available housing option in our society. They are disproportionately occupied by vulnerable groups with little choice in the market and often cold.

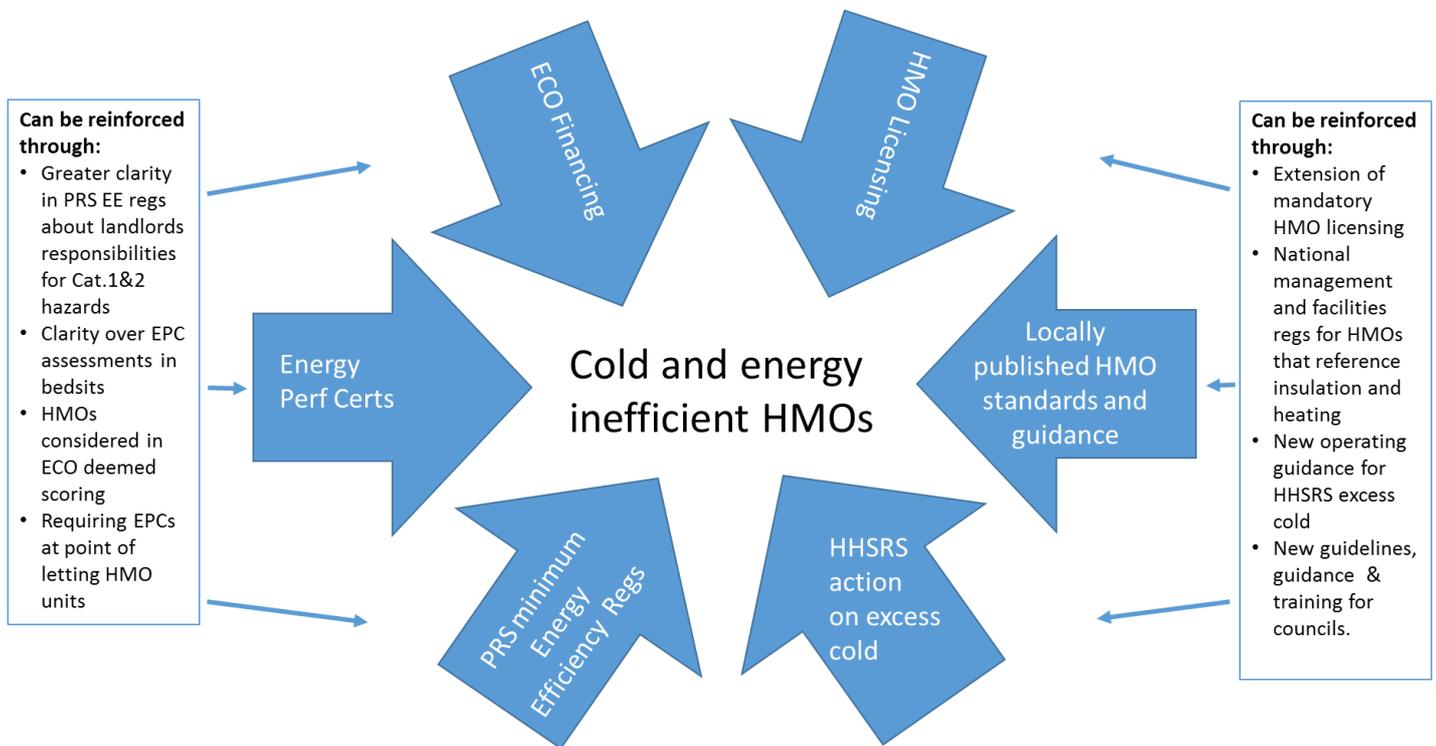
Shared houses and HMOs as defined by Section 257 of the Housing Act 2004 are the most common types of HMOs, and respondents typically identified large Victorian terraces as the archetypal HMOs. The research asked respondents about how HMO tenants paid for energy, revealing that bills are usually included in with the rent, but landlords' sub-metering is still prevalent in some areas. Whether bills are included in rent, or calculated on the basis of sub-metering, this research identifies a need for greater understanding about whether costs are being fairly passed on to tenants.

Non-standard built form is identified as a primary barrier to enabling action on cold HMOs. Dwellings are often old, hard-to-treat properties, with landlords operating at the bottom of the housing market with little money to invest in upgrades to insulation, windows and heating. Being non-standard properties, our respondents told us that HMOs tend to miss out on energy efficiency funding programmes. A second reason for the failure to improve cold HMOs is the poorly functioning market – this is not a sector where tenants exercise market choice in the traditional sense.

It is in recognition of the poorly functioning market that larger HMOs are more heavily regulated than other homes in the private rented sector, having required mandatory licences since 2006. As our results in the full report show, licencing can drive higher levels of energy efficiency: it opens up a dialogue with housing managers and all licensed properties must be approved as free from serious housing health and safety hazards, including excess cold within five years of the licence being issued. Some local authority councils also choose to impose licence conditions linked to energy efficiency: for example, Norwich City Council requires the inclusion of robust insulation to current building regulations, including for rooms in roofs and fully controllable storage heaters, or gas central heating. This is a licence condition for licenced HMOs but also applies to all HMOs in the city. Across the country however, council standards can be very variable with many – probably most - making no explicit requirements for insulation, Energy Performance Certificate (EPC) standards or affordable

heating (all councils will require that heating is adequate – i.e. there is a system present that can heat the space to a liveable temperature regardless of cost).

As we show in the diagram below, there is no shortage of policy mechanisms that can impact on energy efficiency in HMOs. But the delivery of these policies is currently disjointed and highly subject to local variation. As a result, we hope this research can help ensure existing policies can be made much more mutually reinforcing.



## Policy recommendations

### Extend mandatory licensing to a wider group of HMOs

Only one in eight HMOs is currently subject to mandatory licensing. The Department for Communities and Local Government (DCLG) have consulted on extending mandatory licensing to include two storey and S257 HMOs. We strongly support this. This research showed that S257 HMOs are very prevalent. According to the English Housing Survey, flats in converted houses are the coldest and least energy efficient house-type. By definition poorly converted, S257 HMOs are probably the coldest subset of this coldest part of the stock.

### Set standards for cost-effective heating and insulation in HMOs, using national HMO regulations

Whether through guidance to councils or – preferably – revised national regulations, DCLG can enable all councils to follow Norwich’s example in using licensing and locally published standards to require cost-effective (not just adequate) heating and basic levels of insulation in HMOs. National facilities and management standards for HMOs can be – and are – set under S65 and S234 of the 2004 Housing Act respectively.

## **Update HHSRS Operating Guidance**

DCLG's Housing Health and Safety Rating System (HHSRS) Operating Guidance has not been updated since the HHSRS system was launched a decade ago. With DCLG now focusing more on rogue landlords than ever before, the HHSRS guidance should be reviewed. Within revised Operating Guidance, there should be a requirement for environmental health officers to consider the cost of heating systems when checking for cold risks, and to recognise more explicitly that the lowest (F and G) EPC banded homes are likely to pose a Category 1 excess cold hazard.

## **Make clear that EPCs are required at the point of letting HMO units & clarify how EPCs should be produced for larger HMOs**

DCLG guidance should clearly require EPCs at the point of letting HMO units. Currently the situation is confused. Whilst EPCs are not legally required in this circumstance, the Legal Director of the Residential Landlords Association is actively advising HMO landlords that they are. Requiring EPCs at point of letting HMO units will give tenants useful information on the warmth and cost of heating their home. It will also close a loophole that could limit impact of DECC's 2018 minimum energy performance standards in the private rented sector (because without an EPC the regulations will not be triggered). There is also confusion about the technical methodology to be used when EPCs are produced for larger HMOs. Clarification from DECC is required here.

## **Make sure that HMOs can be fully included in the next phase of ECO**

DECC should work with Ofgem to ensure that a scoring methodology is in place to allow all types of HMO to qualify for support under the next phase of ECO.

## **Ensure PRS regulations do not undermine HHSRS excess cold enforcement**

Finally, it is essential that PRS regulations introduced through the Energy Act 2011 do not undermine HHSRS enforcement in the coldest homes. DECC's PRS regulations and the guidance must be explicit in referencing landlords' existing responsibilities to ensure their homes are free of serious cold hazards and paying for such upgrades as may be required.

The Fuel Poverty Strategy states that – by 2020 – no fuel-poor household will be living in a home rated F or G on an Energy Performance Certificate. Despite the difficult nature of this stock, the Government has the right statutory frameworks in place that can make that happen in HMOs, but adjustments are required to guidance and secondary regulations. Not making these adjustments will risk missing the 'E' target in the segment of the housing market that accommodates some of the Britain's most vulnerable people.