

Engaging Private Landlords in Energy Efficiency

Approaches for London boroughs to work with landlords and raise the standards in their private rented sectors

Executive summary



A research project from
Future of London

In partnership with
EDF Energy

The private rented sector is the Capital's only growing housing tenure, now accounting for more than 25% of London's households. Yet this booming sector is failing many of its tenants – particularly the most vulnerable – with 10% more properties below Decent Homes standards in the PRS than in both owner-occupied and social-rented tenures, and private renters disproportionately affected by excess cold and fuel poverty.

Landlords are critical to this agenda, and central government's policy framework is pushing them to raise standards with a mandatory minimum energy efficiency standard that will come into force in 2018. With London boroughs relying on the PRS to house many of their vulnerable tenants, it is in their interest to support landlords to improve the energy efficiency of their properties.

Engaging Private Landlords in Energy Efficiency helps to address this issue, by:

- analysing London's PRS landscape, focusing on spatial patterns, tenant and landlord typologies and the relevant policy framework
- outlining the most significant challenges for London boroughs advancing this agenda
- suggesting a number of ways forward in response to these challenges
- providing policy recommendations for improving the sector's energy performance in the long term

London's PRS landscape

The PRS has doubled over the past 10 years in a number of boroughs, putting strain on housing officers to ensure appropriate standards.

Social housing is in short supply and London boroughs rely heavily on the private rented sector to house vulnerable tenants.

The dominant physical characteristics of London's PRS – the prevalence of older, less energy-efficient stock, high numbers of hard-to-treat flats and often carrying the additional regulatory burden of being in conservation areas – make PRS retrofit particularly challenging.

Landlords are critical to energy retrofit works: in most cases they need to provide consent for works, as well as at least a proportion of the cost, with unclear incentives.

There is uncertainty amongst the public sector as to how to better engage landlords in this agenda.

Challenges

Within this context, four main challenges hamper boroughs' efforts to engage with their private landlords:

- An unfavourable funding landscape
- Physical barriers to retrofit
- Lack of communication channels with individual landlords
- Weak incentives for landlords or tenants to act

Approaches

The second part of this report advances a number of practical ways for boroughs to work with landlords and improve standards, in response to the challenges above.

An unfavourable funding landscape:

- Present funding opportunities to landlords clearly – keep abreast of national and pan-London grants, particularly the ones that are offered directly to landlords
- Promote smaller-scale works – concentrate on works that are most cost-effective and least disruptive to landlord and tenant

Physical barriers to retrofit:

- Provide technical support and advice at all stages – as a trusted source, provide information on funding, installers, planning etc.
- Focus on poor standards – develop a balanced enforcement strategy, and consider licensing options

Lack of communication channels with individual landlords:

- Target retrofit programmes at larger landlords with whom the borough already has a cooperative relationship – larger landlords could gain economies of scale and not be deterred by upfront costs
- Use leverage to engage temporary housing providers – influence landlords who are reliant on boroughs for a portion of their business, while improving standards for vulnerable tenants
- Improve data on all landlords – gain a better understanding of the sector and landlords' motivations

Weak incentives for landlords or tenants to act:

- Take the long view – make landlords aware that new supply will make the market more competitive
- Build the evidence base for value added – increase solid evidence of sales/rental value uplift of improved properties from the UK and further afield
- Empower tenants – make tenants aware of the 2016 tenant’s improvements regulations
- Campaign for longer tenancies – promote better security of tenure to empower tenants and influence them to take an interest in their rental property

Conclusion and recommendations

Employing some of these efforts will doubtless deliver valuable results. However, the report concludes that current programmes, regulations and incentives are not enough to enable the ‘deep’ retrofit required for London’s aging rental properties at the scale needed to meet the capital’s carbon and energy targets, and to ensure that improvements reach its most vulnerable tenants. As the private sector continues on its path to becoming London’s dominant tenure, measures to foster cooperation between boroughs and their private landlord sectors will be key to improving standards sector-wide and for the long term. Looking ahead to the next general election, the following recommendations could facilitate this:

1. Improve standards for most vulnerable tenants, particularly homeless households discharged into the PRS. FoL supports the following Royal Institute of Chartered Surveyors (RICS) report recommendation, although it is dependent on a good level of EPC compliance. *“We recommend that local authorities discharging their homeless duties, by placing families in the rental sector, should only be permitted to undertake such a placement if the property meets an EPC level of E or above.”ⁱ*
2. Provide more financial incentives to private landlords to carry out improvements to properties. Popular opportunities such as the Green Deal Home Improvement Fund won’t get all properties to an EPC band E rating, but there will be some quick wins in terms of improving thermal comfort and reducing excess cold hazards.
3. Channel more ECO funding into the PRS, and particularly solid wall insulation (SWI). Large sums will be required to even part-fund these schemes, but they are vital to advancing SWI installation in London.
4. Explore and evaluate a range of methods for gathering comprehensive data on landlords, and implement the most appropriate strategy. This could be led nationally, pan-London or locally, and engage academic and other data experts.
5. Promote British Property Federation’s guidance on the cost-benefit of various energy efficiency measures, and on improvements that can be gained from installing groups of measures in particular property types. Further guidance could be produced with a focus on London’s prevalent property types and hard-to-treat properties. This intelligence could be shared through conventional landlord communication channels, the London Landlords Accreditation Scheme and more widely through public campaigns to reach individual landlords.
6. Ensure maximum EPC compliance in the PRS, in order to achieve maximum benefit from the proposed minimum standards regulations in 2018. This could continue to be executed by Trading Standards, though there should be the option for this enforcement to move to another department, such as Private Sector Housing, which is closer to the issue. London Borough of Newham has transferred this responsibility by including it in its borough-wide licensing scheme.
7. Improve – and provide more – evidence of any value added to be gained through retrofit to landlords, especially ones who may be considering energy efficiency measures. Landlords are more likely to engage if they can see concrete benefits from doing so.
8. Strengthen tenants’ position, particularly around security of tenure and removing the threat of retaliatory evictions, so that they are able to exercise their rights around requesting energy efficiency improvements in 2016.

ⁱ RICS, 2013. *More Good Homes and a Better United Kingdom: RICS Housing Commission Recommendations*, p.12.

A full copy of this report is available to view and download free-of-charge on Future of London's website. Hard copies are available upon request.

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About EDF Energy

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About Future of London

Future of London is an independent not-for-profit policy network focused on the challenges facing regeneration, housing, infrastructure and economic development practitioners in the Capital.

We are a borough-led membership organisation with a number of external partners, which provides top career development, expert-led policy research, and topical networking and speaker-led events.

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