Housing in Multiple Occupancy: Energy Issues and Policy

A report by Future Climate and the Centre for Urban Research and Energy at the University of Manchester for Eaga Charitable Trust

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Appendix 1: Counting HMOs through the Census

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This Appendix contains a more detailed discussion of which energy assessment methodology (domestic or non-domestic?) might apply in different HMO situations.
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 as well as a series of stakeholder interviews, particularly with local authority housing environmental health officers – the professionals who work most closely with HMOs.

We refer in this study to “energy vulnerability” rather than “fuel poverty.” HMOs are non-standard homes in many ways – in tenure arrangements, property characteristics and the way energy is managed. As such HMOs are usually marginal to energy efficiency and fuel poverty policy making, even though they house some of the most vulnerable citizens. The energy vulnerability approach encourages us to directly consider this marginalisation, looking at broader issues of inclusion, justice, process and access to energy – beyond the more narrow distributive justice concerns of the traditional fuel poverty approach\(^1\).

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 households\(^2\) 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 (usually referred to as Section257 HMOs after the section of the Housing Act where they are defined).

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, and 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.

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1. This study focuses particularly on policy, regulation and process; the planned next stage of this work is to look in detail at the lived experience of energy vulnerability in HMOs.
2. 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.
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. However, research suggests that – more than any other type of housing – shared housing is likely to be under-counted in official surveys. And 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 caps the amount of rent support social tenants receive based on whether they “need” a given number of bedrooms - tenants may have to move into the PRS if suitable smaller housing properties are not available;
- The Localism Act 2011 ensures that local authorities can fulfil their duty to house the homeless fully through the private rented sector;
- New asylum seekers are initially housed by the Home Office in HMOs.

Planning powers are used to control HMO developments, particularly in relation to concerns about “studentification” or “slum housing.” Authorities can introduce so-called Article 4 directions to restrict the rights of landlords to convert properties into HMOs. However, we found Article 4 directions may be displacing rather than addressing the problems arising from concentrations of HMOs.

Government and policy makers have recently talked extensively about “beds in sheds” – illegal, overcrowded accommodation - and introduced grants for local authorities to prioritise these properties with enforcement action. “Beds in sheds” are particularly an issue for migrant workers (e.g. from EU accession countries) and the government’s agenda in this area is explicitly linked to tackling illegal immigration. Meanwhile, asylum seekers are separate migrant group who face issues with low quality HMOs: a recent National Audit Office report identified that Home Office sub-contractors were putting some asylum seekers in sub-standard accommodation.

Available evidence - which is very limited – suggests HMOs are frequently old, solid wall properties with low levels of insulation and sometimes expensive electric heating systems. Problems with damp, condensation and mould and related health problems emerge very strongly from the literature as part of lived experience in HMOs: the NUS found that 47% 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 framework:

- The government’s official definition of fuel poverty is not directly applicable in cases where energy bills are part of the rent, the bills are shared between multiple persons, or where rental agreements are non-existent or illegal;
- Energy Performance Certificates are not required at point of rental for HMOs that are let on room-by-room basis - 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.

Most importantly, without an EPC to act as a “trigger” at the point of rental, minimum energy performance certificate standards to be applied to the rest of the private rented sector 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. And, as with all private rented properties, local authorities use housing health and safety powers to inspect HMOs. They can then demand improvements to those properties that pose a serious risk to residents’ health, not least because of cold.

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 most effectively 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 – overcoming the problem that these properties do not require them at point of letting – see below4;
• Minimum Energy Performance Certificate standards 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”. And HMOs are not seen as at the top of the list to benefit from ECO funded energy refurbishment programmes.

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3 It is important to note the distinction between “additional licensing” which brings smaller and S257 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.

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

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. HMO occupants face issues such as poor maintenance and involuntary relocations which contribute to insecurity in this tenure. They do not have sole control of energy use in their property.

With HMO residents having less choice and control than others in the housing market there is a strong case for additional regulatory interventions. 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. We should be working towards at least EPC “D” as the minimum energy efficiency standard considered acceptable in HMOs – moving towards this standard at the same time as minimum “E” is applied to wider PRS stock.

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;
- **Maximise the impact of licensing on cold HMOs**, by encouraging local authorities to make best use of licensing to tackle cold homes, including a minimum EPC “D” standard for HMOs as a condition of mandatory and additional licensing;
- **Promoting systematic local authority action on cold HMOs** aligning licensing with housing health and safety inspections, accreditation schemes and grants;
- **Ensuring government programmes housing vulnerable people in HMOs incorporate a minimum “D” energy standard for properties.**

We consider each of these headings in more detail.

**Levelling the playing field**

Regulation needs to be amended to require a building level Energy Performance Certificate to be issued to HMO tenants at point of letting units within the HMO. This certificate should be produced at the individual bedsit level when the bedsit has its own electricity meter.

This will be a key step to bring HMOs within scope of the Energy Act 2011 PRS minimum standards regulations. However, additional action may also be required, specifically amendments to the 2011 Energy Act to ensure homes let under multiple tenancies are covered by the PRS regulation provisions.

To ensure that HMO residents and owners are receiving accurate and appropriate EPCs, government should issue new guidance on when and how residential and non-residential methodologies are to be used in the production of EPCs for HMOs.
HMOs form part of the wider private rented sector and there are many steps that government could take to better promote energy efficiency across the sector, including:

- A private rented sector “ringfence” within the ECO programme allocating a certain proportion of the target to the private rented sector (this could include specific monitoring of the participation of HMOs in ECO);
- Introduction of measures to prevent retaliatory evictions when tenants complain about cold homes or other housing quality issues, as has been recently discussed by DCLG\(^5\).

**Maximising the impact of licensing**

Within the current regulatory framework, additional use of HMO licensing powers offers the best route to tackle cold HMOs. This will need to be led by local authorities with effective support from central government.

For large HMOs a “D” standard can be included as a condition of licence renewal, with landlords then given two years to bring properties up to the standard. This could see the majority of large HMOs brought up to a D standard in 2016 to 2018: many mandatory licences for large HMOs will be renewed in 2016 because HMOs are licensed for 5 years and the first licences were issued in 2006. Implicit in this approach is that the production of an EPC should also be a licence condition for HMOs.

For smaller and S257 HMOs there is scope for much greater use of additional licensing to tackle cold homes and we suggest local authorities should consider:

- Gathering data on areas with high concentrations of cold HMOs and/or HMOs and fuel poverty, with a view to introducing additional licensing schemes for smaller and S257 HMOs in those areas;
- Requiring EPCs to be produced as a licence condition and introducing a minimum standard of EPC “D” as a licence condition, with landlords given two years to meet the standard.

DECC and DCLG will need to support local authorities with the resources and data to introduce energy efficiency minimum standards in HMO licensing.

**Systematic local authority action on Cold HMOs**

Licensing is just one way in which local authorities interact with HMOs. Systematic programmes of inspection, grants and support and voluntary accreditation can all be used alongside licensing to promote warmer HMOs.

Particularly important is that authorities feel confident in making full use of housing health and safety powers. Authorities can take more robust action in requiring insulation and efficient heating systems in cold HMOs.

**Meeting Housing 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

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5 CLG, 2014
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.

By taking these steps, a minimum D standard can be promoted and achieved on many HMOs. However, our report highlights 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 between tenures. To mitigate against an ambitious minimum standard impacting on supply of HMOs we suggest energy efficiency policies need to signal that an EPC standard is one that all suitable English properties, regardless of tenure, should be expected to reach as part of a minimum energy performance trajectory.
Section 1: 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, and funding from the Eaga Charitable Trust.

HMOs differ from standard home in their tenure arrangements but also 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 policies addressing fuel poverty and energy use in buildings.

Most significantly in this regard we can consider the technical definition of fuel poverty. Whether the definition is 10% of household income spent on energy bills or the new definition based on low income/high energy costs\(^6\), it is not directly applicable in cases where energy bills are part of the rent, the bills are shared between multiple persons, or where rental agreements are non-existent or illegal.

Therefore, one of the key points of departure for the HOME project is the realisation that HMOs present a heuristic challenge for mainstream approaches to energy efficiency and fuel poverty, and that this challenge might be better understood through alternative frameworks.

HOME uses the analytical tools offered by energy vulnerability and justice frameworks to approach its subject matter. These two lines of thinking expand the everyday issue of ‘fuel poverty’ by focusing the broader geographical, historical and material factors that influence energy use\(^7\). The justice paradigm is useful in highlighting how questions of distribution (which are at the heart of traditional approaches to measure fuel poverty) are only one facet of a wider issue that can also be queried through issues of recognition and procedure, which are linked to the manner in which vulnerable and marginalised social groups are identified as ‘deserving poor’ and able to access adequate assistance.\(^8\)

The government’s recent fuel poverty strategic framework identifies the groups that are considered vulnerable and prioritised in fuel poverty policy: older people, children, long-term sick and disabled. Such popular imageries, however, conceal other groups who are vulnerable to fuel poverty. For example, deprivation is high among groups such as young people and students, who regularly live in HMOs but are rarely recognised as a group vulnerable to fuel poverty\(^9\). Additionally, new migrants are over-represented as a social group in privately rented HMOs, and while this housing stock is widely recognised as ‘the worst’ in the country, analysis of migrants and energy vulnerability is a rarity.

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\(^6\) DECC 2013

\(^7\) Walker 2008

\(^8\) Walker and Day 2012

\(^9\) Bouzarovski et al 2013
The sections outlined in this report probe these dimensions of energy vulnerability from different perspectives. We begin the journey by exploring definitions of HMOs which provide the basis for understanding and critiquing the policy and regulatory frameworks from a recognition perspective. The governance and implementation of the regulatory framework is largely predicated on these official definitions, and here issues of procedural justice come to the fore as HMOs regularly ‘slip through the net’ statistically, practically, and politically. To address the ‘invisibility’ of HMOs, an indicative typology of HMOs is proposed to assist policy makers and practitioners in understanding and addressing energy issues more directly in HMOs.

Relating to structural issues including economy, history and geography, we explore the distribution and physical characteristics of HMOs, as well as the function they have in the UK housing market. We analyse the housing and energy efficiency policy and their impact on HMOs both through a detailed examination of the policy framework, and then consider how legislation and regulation is being implemented at the local level. In particular we provide a detailed case study of Manchester’s HMOs. We finish by making recommendations on how policy stakeholders can practically address energy vulnerability in HMOs.

1.1 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 migrants 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;

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10 We were able to find specific evidence on the experience of migrants in HMOs, but not on the experience of young families.
• Semi-structured interviews at national and local level, including environmental health officers (EHIs), 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.

Section 2: Understanding HMOs

2.1 Definitions

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 the following main types of HMO property:

• Private rented properties occupied by three or more people who make up at least two households\(^{11}\) 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 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.

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 as per the Town and Country Planning (Use Classes) Order 1987 (amended)\(^{12,13}\). Landlords can normally convert a standard domestic property (use class C3) into a C4 HMO under permitted development rights. However, individual local authorities are allowed to adopt Article 4 Directions which remove these permitted development rights\(^{14}\).

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\(^{11}\) 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.

\(^{12}\) https://www.planningportal.gov.uk/permission/commonprojects/changeofuse/

\(^{13}\) Larger HMOs with over 6 occupiers are “sui generis” and do not fall into a use class. This means planning permission is always required to convert a normal domestic property to a large HMO.

\(^{14}\) House of Commons Library 2013
Council tax regulations give a different definition of HMO. HMO landlords (rather than occupiers) are liable to pay the tax if the property houses two or more people in separate households. Grey areas exist with bedsits - non fully self-contained dwelling units - where the individual units can sometimes be classed as a dwelling and therefore liable for council tax.

Census definitions (see section 2.2 below) do not align with any of the above.

2.1.1 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 of unsuitable privately rented accommodation 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 tenants.

Typically, ‘beds in sheds’ are rented out to new migrants who have limited access to alternative housing, support networks or welfare, and who may choose to rent and/ or sub-let their accommodation to share the cost of living.

It is also common in these properties not to have appropriate tenancy agreements, which may be intentional on behalf of the landlord to avoid being recognised as Class C4 HMO landlord and thus being liable for Council tax payments.

2.2 Size of the sector

The 2011 Census provides some of the most accurate data in this area. A detailed analysis of Census data is included in Appendix 1, 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). 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 households in England.

The 2010/2011 English Housing Survey estimates that there are 249,000 homes shared by 2 or more families or more than 3 lone individuals – 1.1% of properties, a figure considerably lower than that implied by the Census. Section 2.3 includes further considerations on this point.

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16 Chappell et al 2009 and Audit Commission 2007, quoted in Perry 2012, p. 17
17 https://www.nomisweb.co.uk/census/2011/KS401EW/view/2092957699?cols=measures
18 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).
CLG publishes data returns of information supplied by local authorities about HMOs in their area 19, 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 council. This data should be treated with some caution - it does not always correspond with numbers we have been given by local authorities in the course of this research. 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 authorities around the country are shown as having over 3% HMOs, strongly concentrated in the South:

![Figure 1: Numbers of HMOs in areas with over 3% of HMOs (as estimated by local authorities)](image)

In any count of HMOs it is important to consider that a substantial group of these properties may be missed. Firstly, both the Census data and the local authority data were gathered 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 Manchester 20 shows that in the UK, Australia, Canada and the US, 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.

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19 reference
20 Simpson and Middleton 1997
2.3 Energy and energy efficiency in HMOs

The English Housing Survey (EHS)\(^{21}\) is typically used to understand energy efficiency characteristics of the national housing stock. The treatment of HMOs in the Survey is not very clear and CLG have advised us that they are improving this element of the Survey.

Our analysis in section 2.2 and in the below, based on cross-referencing different data sources and survey methodologies, suggests that HMOs are underrepresented in the 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 2.2 above) that HMO-type households are among the most likely to refuse to participate in official surveys.

Even if HMOs were correctly 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, S257 HMOs cannot be identified in the EHS separate from other types of flats in converted buildings.

To provide some insight into the characteristics of HMOs from EHS, for this study we have looked at a broader group of larger PRS properties in urban areas, which includes many HMOs. We exclude properties in the least deprived 20% of wards.

These larger urban PRS homes 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 (as seen in Figure 2). Damp (12.7%) and condensation (9.1%, though slightly small sample size) 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% in other areas).

\(^{21}\) References to English Housing Survey are based on analysis of the 2010/11 dataset - CLG 2013
Electric heating is widely reported to be more prevalent in HMOs than in non-HMOs. 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%) though, 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 this group of 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.

We suggest this data, while the best available in terms of considering HMOs’ energy efficiency features needs to be treated with some caution. The data relates to a wider set of PRS properties, and, as we see in the next section, other types of data suggest it may underestimate the extent of energy efficiency problems in HMOs.

2.3.1 Tenant experience of energy vulnerability in low cost private rented accommodation

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 students\textsuperscript{22} in the private rented sector 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
- 66\% said they had worn more than one layer of clothes to bed to keep warm
- 40\% said they had stayed longer in university/college buildings to keep warm
- 11\% are keeping up with their energy bill payments but finding it a constant struggle
- 24\% are keeping up with their energy bill payments but struggle from time to time

The NUS state in relation to the over half of students who reported struggling with condensation, damp and 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.”\textsuperscript{23}

Indeed the NUS survey does suggest more widely that EHS may be significantly understating the energy efficiency problems that apply specifically in the HMO sector.

Two recent studies have looked at the experience of homeless people moving on into rented accommodation. Though neither study is specific to HMO accommodation, they provide pointers to the experience at the bottom of the private rented housing market—and how central energy vulnerability is to that experience.

The Sheffield University For-Home three-year study (2007-2010) focused on the resettlement of 400 single homeless people moving into independent rented accommodation in properties in London, Leeds, Nottinghamshire and Sheffield, following the residents for 15 to 18 months.

While initial problems with heating were more common in social rented than private rented accommodation, this study found these problems were much more rapidly resolved in the social housing. At the end of the study, 25\% of PRS tenants continued to have faulty heating or boilers; 25\% had problems with damp or mould; and 20\% had damaged windows. Overall, the research concluded that tenants with private landlords experienced more

\textsuperscript{22} NUS 2014 and email communication with key PRS findings of this study from NUS representative, March 2014

\textsuperscript{23} NUS 2014, p 41
problems in getting repairs done, some were worried about retaliatory eviction, and many had accepted that “there is nothing they can do”\textsuperscript{24}.

The same themes of long delays for repairs, and high levels of damp and mould was observed in \textit{Sustain}, a 2013 Shelter/Crisis longitudinal study of homeless people moving into the private rented sector. This study findings show how often energy issues underpin other problems faced by householders in the private rented sector – particularly the way that cold and damp lead to health problems and the way in which struggles with energy bills can precipitate wider financial problems. In the most acute situations of poorly insulated properties residents struggle daily to balance ventilation (to prevent mould), adequate heating and energy bills:

\textit{“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.”}\textsuperscript{25}

2.4 Procurement of energy in HMOs

We did not find data or research on how HMO residents pay for, or otherwise access, energy. Based on discussions with our interviewees – none of whom had researched the issue directly - the principal routes seem to be:

- Tenants share energy bills with one lead tenant nominated as the named person on bill;
- Landlord pays energy bills with energy costs passed on through rent;
- Landlord pays bills passing costs on to the tenant without use of sub-meters;
- Landlord pays bills passing costs on to tenants through sub-meters in each unit (probably marginal – see below);
- Tenants pay energy supplier through individual prepayment electricity meters installed by the energy supplier in their room/dwelling unit (the landlord having paid the supplier for the meter to be fitted);
- Theft of electricity  (Environmental Health Officers in London advised us that this was a significant way in which HMO residents procured electricity).

It seems modes of procuring energy will vary based on local housing market conditions. In Manchester, we were told that more and more landlords were including energy costs in rent as that was what students preferred (to avoid disputes over bills between sharers). Meanwhile, EHOs in London told us that, with the rising cost of energy bills, landlords were increasingly not offering this option.

\textsuperscript{24} Crane et al 2011, p 38
\textsuperscript{25} Smith, Albanese & Truder, 2014 P24
Rules about resale of energy
Since 2003, Ofgem rules\(^\text{26}\) have stated that a landlord can only resell energy at the same price they paid, including any standing charges and VAT. Where there is no meter, or an inaccurate meter, the landlord must use “reasonable endeavours” to ensure that tenants are paying a fair share of the bill.\(^\text{27}\) Evidence from Manchester Student Homes told us that landlords were charging a significant (£20 per week) premium to include energy bills in rents. If landlords are explicitly stating that a high additional cost is to cover energy bills they may be in breach of the Maximum Resale Price provisions.

In an interview with a researcher who had worked with HMO residents, we did hear an account of an HMO tenant whose landlord had installed a card-based prepayment sub-meter. The tenant would sometimes run out of electricity in the evenings as she did not like to disturb her landlord to top up the prepayment card. However, the EHOs we spoke to reported that they were not familiar with the use of landlords’ pre-payment submeters. It may be that the Maximum Resale Price provisions – making it illegal for landlords to profit from these meters - has made it more attractive and simpler for landlords to either include energy bills as a fixed cost in rent, leave energy bills to the tenants, or pay for energy suppliers to fit prepayment meters to each dwelling unit.

2.5 Typology of HMOs for energy efficiency
The HOME project set out to provide an indicative typology of HMOs with the aim of guiding policy to increase energy efficiency in HMOs. A great deal of uncertainty exists in how HMOs should be treated in energy policy frameworks, and this typology aims to provide a guide for that discussion. It should be noted that this typology is developed by a scenario method, with stakeholders we have interviewed in this project, and should not be taken as exhaustive.

\(^{26}\) Under powers in Section 37 of the Gas Act 1986 and section 44 of the Electricity Act 1989
### Shared housing scenario

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Informal house/ flat/ room share, tenancy agreements informal, absent, or illegal</th>
<th>Formal house/ flat share (individual tenancies)</th>
<th>Formal house/ flat share (tenants jointly and severally liable)</th>
<th>Bedsits or other non-fully self-contained dwelling units (each let under individual tenancies). May be hostel/B&amp;B</th>
<th>Section 257 HMO: self-contained, converted building non-compliant with building regs (individual tenancies)</th>
</tr>
</thead>
</table>

### Energy payment

<table>
<thead>
<tr>
<th>Payment</th>
<th>Paid pro rata by tenants</th>
<th>Inc in rent</th>
<th>Theft of elec.</th>
<th>Paid pro rata by tenants</th>
<th>Inc in rent</th>
<th>Individu al meter</th>
<th>Inc in rent</th>
<th>Paid to landlord separately from rent</th>
<th>Individual meter</th>
<th>Included in rent</th>
</tr>
</thead>
</table>

### Utility contract holder

<table>
<thead>
<tr>
<th>Tenant</th>
<th>Landlord</th>
<th>n/A</th>
<th>Tenant</th>
<th>Landlord</th>
<th>Tenant</th>
<th>Landlord</th>
<th>Tenant</th>
<th>Landlord</th>
<th>Tenant</th>
<th>Landlord</th>
</tr>
</thead>
</table>

### Example Heating system

| Portable electric room heaters | Gas central heating | Gas central heating | Electric storage heaters in each unit | Various |

### Building typology

| 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

<table>
<thead>
<tr>
<th>SAP/IBEM</th>
<th>SAP</th>
<th>SAP</th>
<th>SBEM</th>
<th>SAP</th>
</tr>
</thead>
</table>

### Pathway to enforcement / improvemen t

| 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

| By definition, hard to say. | Census: 0.5% full-time student households, and Census estimates 0.1% of | Census estimates 0.1% of | 4.3% of dwellings are |

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| **to numbers in this group** | **Ealing estimates 60,000 residents affected in their borough; Slough between 3,000 and 6,000 properties** | **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.** | **properties are bedsits. Non-fully self-contained flats may be an additional group.** | **in converted properties, but very far from all will be non-compliant with modern building regs.** |

* Based on assumptions in Appendix 2. 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.
Section 3: HMOs and the wider housing market: who lives in HMOs, where and why

3.1 HMOs and the Housing Market

In terms of HMOs’ role and fit within the wider UK housing market, it is important to note that they tend not to provide additional new housing supply, they are mainly new uses of existing housing stock. 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. HMOs occur in areas where a certain type of rental model is economically lucrative for the landlord.

The concentration of HMOs in certain areas is related to the UK housing market which is characterised by a liberal market economy, but with extensive market failures, linked to a wider societal trend of increasing segregation and inequality. There are different kinds of ‘market failings’ which affect the HMO sector - particularly the failure to supply affordable rented homes in adequate numbers for different groups of lower income and vulnerable people, and the failure to improve standards in the PRS by assuming that ‘market efficiency’ through deregulation would drive up standards.

Research evidence is clear that the market alone will not deliver improved standards in the PRS stock: “a property’s state of repair in most cases has little significant or consistent effect on its market rent”. The same research also concludes that the landlords of the poorest housing stock are primarily interested in a commercial return on their investment, therefore, the stock condition is unlikely to improve under the current policy framework. These conclusions are echoed by the independent review of the PRS which CLG commissioned Julie Rugg and David Rhodes from the Centre for Housing Policy at York University to undertake.

While new housing supply and affordability may seem peripheral to the core argument of our research, which is about the quality of housing offer at the bottom of the PRS, it is nevertheless fundamentally connected to the general housing market conditions in the UK.

Structural housing shortages, as experienced in the UK, cannot be resolved by “adjustments in the operation of specific tenures”. Growth in the 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 tenures. This explains why HMOs are seen as an unwelcome threat by many ‘established’ communities in the UK. The narrative

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28 Kemp and Kofner 2010
29 Whitehead 1991; Dorling 2014
30 Crook and Hughes 2001: 22
31 Rugg and Rhodes 2008
32 Ball 2010: 4
33 ibid
deployed by the National HMO Lobby (a group campaigning against HMOs in their communities), for example, suggests that HMOs ‘crowd out’ family accommodation which puts pressure on local services and results in unwelcome neighbourhood change.

3.2 Low income households and the PRS

In 1999, 9.9% of English households rented privately. By 2011/12, the figure had risen to 17.4%, with the number of households renting privately overtaking the number in the social rented sector. A recent study into the private rental market among low income tenants discovered that the tenure has a “disproportionately important role in accommodating households living in poverty”, with almost 25% of the population living in poverty in England being a private tenant in 2007.

Perhaps surprisingly, in terms of poverty in shared accommodation, private tenants in shared housing are no less likely to be in poverty than couples in “standard” rented accommodation, 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”. This bi-modality is reflected also in how those tenants ended up in their shared accommodation, through choice in the case of the former and necessity in the latter case.

Despite popular imageries of social housing estates becoming exclusively occupied by those most in need, there has been a long term trend in vulnerable people being placed in private rented accommodation. Since the 1980s, private sector HMOs have been the preferred tenure for housing the homeless from a policy perspective, despite the known hazards in the HMO sector. This is alarming, given that recent research shows that the PRS resulted in the least successful outcomes in homeless resettlement in the UK, with unaffordable rent and bills cited frequently as the reason for leaving.

For many new migrants, the lack of choice is equally acute. Several studies of the PRS have concluded that privately rented accommodation is often the first and only option for new migrants in the UK whose housing rights are very limited. Asylum seekers are placed in HMOs as part of the contractual arrangements with the Home Office and have no option in their dispersal accommodation.

The role that the PRS plays in housing vulnerable people, especially the homeless, has been cemented in the Localism Act 2011. The Localism Act introduced key policy reforms to ensure that local authorities can discharge their homelessness duty fully through the PRS without the consent of the tenant. Previously homeless people had the right to opt for

34 CLG select committee 2013: 5
35 Kemp 2011: 1022
36 Kemp 2011: 1024-25
37 Flint and Rowlands 2003
38 Crane et al 2011
39 Stewart 1999
40 Crane et al 2013: 790
41 Kemp 2011; Pemberton 2009; Perry 2012
42 National Audit Office 2014
suitable social rented housing, although research shows that not all homeless people felt able to exercise this right. In terms of the number of people affected, official statistics show that in just one quarter (October-December 2013), “local housing authorities made 28,020 decisions on applications (by eligible households) for housing assistance under the homelessness legislation of the Housing Act 1996 (as amended).”

It is clear that ‘demand’ for HMOs is not a result of ‘choice’, therefore the rhetoric of market mechanisms and demand is not accurate when describing the HMO sub-section. Only young persons’ and student house shares stand out as a notable exception where preference for shared housing might be a significant contributing factor to HMO living. However, even here it is recognised that changes to welfare rules and the housing market mean young people’s housing pathways have become more heavily constrained since the 1980s.

3.3 Where are HMOs and who lives in them?

Different types of typical HMO tenants can be detected from literature: students, individuals often considered vulnerable 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-sharers. Migrants are a significant demographic group living in HMOs due to new migrants’ limited access to other housing tenures. Asylum seekers are almost invariably housed in HMOs initially, this is a contractual feature between the housing providers and the Home Office.

Affordability constraints are the most notable driver of HMO demand in the private rented sector. HMOs are more likely to occur, due to an amalgam of a lack of affordable homes, low incomes, and lack of housing rights, in:

- London;
- Coastal towns;
- University towns;
- Areas with a significant share of migrants in low paid jobs, or local authority areas that take part in the ‘asylum dispersal’ process.

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45 Roberts 2013
46 Lister 2006: 143, Ford 2002
47 Ford 2002
48 Hubbard 2008; Smith 2008; Smith and Hubbard 2014
49 Smith 2012, Barratt et al 2012
50 Ford et al 2002; Rugg and Rhodes 2008; Lister 2006
51 Robinson 2010, Pemberton 2009, Rickley and Houghton 2009
52 National Audit Office 2014
Figure 3 - Census 2011: “Flat, maisonette or apartment: Part of a converted or shared house (including bed-sits)” % by Ward data via Nomis

This map shows flats in converted houses, including bedsits. A notable concentration in and around London includes affluent areas where converted self-contained dwellings are prevalent. A clear pattern of concentration is also shown in coastal areas. Of the coastal ‘bedsit’ concentrations, Central St Leonards Ward in Hastings has the highest rate with over 39% converted flats. Outside of London, the highest concentrations (near or above 50%) are

(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.
found near the sea front in Brighton and Howe (Brunswick and Adelaide and Central Hove). Two wards in Bristol (Clifton East and Cotham) are also near the 50% mark, with prevalent student populations in each.

3.3.1 London

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% (see Map 1).

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 country.

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 boroughs. Figure 4 (below) shows a clear pattern of concentration of multi-person households in and around London compared with the rest of the country.

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53 McCarvill et al 2012: 6-7
54 Smith 2012: 464
This map shows an overwhelming concentration of non-student house and flat sharers (multi-person households) in London, compared with the rest of the country.

(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.
3.3.2 University towns and ‘studentification’

Student HMOs typically occur in geographically distinct neighbourhoods close to universities. ‘Studentification’ is a widely recognised term used to describe neighbourhood change in parts of university towns where the residential mix has changed towards accommodating the burgeoning higher education (HE) student populations. It has received much media attention and has given rise to community campaigns against the concentration of HMOs near university campuses in the UK, which have ultimately led to an All-Party Parliamentary Group being set up on Balanced and Sustainable Communities in 2007.

The previous Labour government’s vision for promoting HE 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 other.

In terms of student HMOs, an estimated 41.4% of all HMOs in England are situated in LA districts with one or more universities (excluding London and coastal towns):

“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.”

However, geographies of HMO concentration are highly uneven and most readily observed on a street-by-street basis, rather than ward or local authority-based analysis. The immediate neighbourhood is also where the potential effects of HMO concentration are most acutely felt. For the purposes of the HOME project, sub-ward level analysis was not feasible on a national scale, therefore the data in the following map is presented at ward level.

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55 Hubbard 2008
57 Smith 2008: 2541-44
58 ibid
59 ibid
60 Hubbard 2008
This map shows the concentration of full-time student 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 in Newcastle, Durham, Leeds and Nottingham.
3.3.3 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”.

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 countries.

Many of the complex socio-economic challenges of coastal towns surface in the low-quality, single room private rented housing stock. The proliferation of cheap rented accommodation is thought to contribute to a vicious circle of socio-economic deprivation in these areas: “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”.

3.3.4 Migrant HMOs

Migrants are a significant demographic group living in HMOs. Migrants’ housing pathways are characterised by high insecurity and uncertainty: “Upon arrival in the UK, new immigrants possess a relatively limited package of housing rights and opportunities”. New migrant workers rely on their social networks or sometimes employers to provide accommodation, and have very limited access to other support networks or welfare. Overcrowded/ shared housing arrangements are commonplace in the private rented sector due to new migrants’ limited access to other housing tenures.

Migrant workers

In several studies EU accession state migrants in particular are mentioned. 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 study found that

“Depending on the local economy and the transport links to places with cheaper accommodation available, a local PRS may develop in small towns where traditionally the sector has been minimal if landlords find it profitable to buy larger, owner-occupied

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61 Rickley and Houghton 2009: 48
62 ibid
63 Smith 2012, p 472
64 Robinson, Reeve and Casey 2007, p xi
65 Robinson 2010, Pemberton 2009, Rickley and Houghton 2009
66 Perry 2012, p.13
properties and convert them into HMOs. An example of this is Thetford in Norfolk where 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”

Perry’s research highlighted that four main types of migrant worker housing developments have emerged in response to the employment of migrant workers in the agriculture sector:

- caravan sites and other kinds of temporary dwelling;
- tied accommodation, for example hospitality workers living in hotels or farm workers living on farms;
- accommodation in nearby small towns (as in the Thetford example above);
- PRS lettings in larger cities, such as Peterborough. Migrants may find accommodation themselves or be allocated it through agencies and then be bussed to work, often over long distances.

In urban areas, overcrowded PRS HMOs are a typical source of new migrants’ accommodation. 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, even when the living space is just a single room. 

Additionally, Shelter reports evidence that “London is the place where migrants are most likely to end up sleeping rough. In April 2008, it was estimated that 15 per cent of those sleeping rough in London are migrants without recourse to public funds, including Eastern Europeans not in work”.

Importantly, Shelter argues that there is a substantial lack of reliable data on immigration, which results in misinformation which fuels the highly politicised debate on immigration and housing. Considering the patchy data on HMOs in general, a comprehensive audit of immigrants in HMOs would need to rely on gathering new empirical evidence.

Asylum seekers
Asylum seekers are almost invariably housed in HMOs initially, under contracts between housing providers and the Home Office. While migrant workers end up in certain geographic locations through either chance, social networks or employment, asylum seekers are “allocated” to specific regions through bureaucratic processes. It is more frequent among asylum seekers than other migrant groups to be re-housed in social housing after a period in temporary accommodation, which invariably is HMO accommodation in

\[\text{http://england.shelter.org.uk/\_\_data/assets/pdf_file/0009/132030/Factsheet_Immigration_and_housing.pdf}\]

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67 ibid
68 This can amount to a quarter of PRS lettings in some locations, added vulnerability arises if migrants lose their jobs and therefore accommodation at the same time (Perry 2012: p 13)
69 Perry 2012
70 Shelter 2008, p.13
71 ibid
72 National Audit Office 2014
designated locations\textsuperscript{73}. As such their housing pathways are different from those with work permits (e.g. from EU accession countries).

The evidence summarised in this section draws upon the National Audit Office’s recent enquiry\textsuperscript{74} into the widely criticised transition of the Home Office contract to provide accommodation for asylum seekers, which was awarded to G4S, Serco and Clearel. The new contract, called COMPASS, has encountered difficulties in establishing robust supply chains with local accommodation providers.

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 seekers\textsuperscript{75}. Asylum seekers are “dispersed” into six regions, based on quotas and agreements with local authorities. Although 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.”\textsuperscript{76}

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.”\textsuperscript{77}

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.”\textsuperscript{78} Additionally, the NAO reported that service users and their representatives have given evidence about particular concerns residents have about the

\textsuperscript{73} Robinson, Reeve and Casey 2007
\textsuperscript{74} National Audit Office 2014
\textsuperscript{75} National Audit Office 2014, p9
\textsuperscript{76} Ibid p. 5
\textsuperscript{77} Ibid p. 30
\textsuperscript{78} Ibid p. 6
3.4 Welfare & broader housing policy changes: drivers of increasing numbers of HMOs

Demographic changes will impact on the number of HMOs. The number of single person households as a proportion of all households has steadily increased and is predicted to rise in the future due to socio-demographic change, as a person’s likelihood to live alone increases with age. In 2013, there were 26.4 million households in the UK, of which 29% were one-person households.\(^80\)

Recent welfare changes will also play a major role in driving HMO demand. The Welfare Reform Act 2012 introduced the so-called “bedroom tax” which applies to people “under-occupying” their social rented home\(^{81}\). 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 tax\(^{82}\).

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 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; approximately 74,000 young people living in the PRS in 2010\(^{83}\). 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.

The Welfare Reform Act 2012 is also predicted to result in further concentration of HMOs in cheaper housing areas, especially in the private rented sector, 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 country\(^84\). The DWP\(^85\) acknowledges the disproportionate impact on London:

“By region, 49 per cent of affected households are in Greater London. The shares of other English regions are all less than ten per cent”

This has led London’s Mayor Boris Johnson to compare the benefit changes to “Kosovo style cleansing of the poor”\(^86\), when reports emerged in the press that the authorities in some

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\(^{79}\) Ibid p. 6
\(^{81}\) http://www.housing.org.uk/policy/welfare-reform/bedroom-tax
\(^{82}\) DWP 2012a
\(^{83}\) DWP 2010
\(^{84}\) McCarvill et al 2012
\(^{85}\) DWP 2012b p8
\(^{86}\) http://www.theguardian.com/society/2012/apr/25/boris-johnson-kosovo-style-cleansing-poor
London Boroughs were sending London-based benefit claimants to other parts of the country. As highlighted earlier in this report, the consequences of being a net recipient of ‘transient’ or re-housed people on those weaker housing market areas is not always welcome.

There are, then, two kinds of impact that policy has on HMO accommodation: the overall number of people living in HMOs and the geographic distribution of HMOs.

3.5 “Beds in Sheds” Policy

The illegal renting of sub-standard accommodation has been sufficiently prominent for the government to issue guidance to local authorities in their dealings with ‘rogue landlords’\textsuperscript{87}. In July 2013, the government announced an additional £3m for which councils will be able to bid to tackle beds in sheds and rogue landlords\textsuperscript{88}. This is in addition to the £1.8 million announced in summer 2012\textsuperscript{89}, from which a number of London Boroughs, and Peterborough and Slough outside of the capital region, have benefitted from.

However, 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 EU.

The CLG guidance gives considerable emphasis on the likelihood of illegal working in conjunction with beds in sheds. New migrants have limited access to the social rented sector as well as state benefits, thus are more likely to end up in ‘beds in sheds’ in the private rented sector\textsuperscript{90}. The number of these type of households is not known. However, Migrants Rights Network (MRN) presents evidence from two local authorities, Ealing and Slough, where it is estimated that up to 60,000 occupants could be affected in the former, and between 3,000 and 6,000 structures in the latter case\textsuperscript{91}.

In 2013, the Home Affairs Select Committee\textsuperscript{92} noted that “Immigration Enforcement is a key partner in the Ministerial Taskforce on Rogue Landlords, which focuses on nine local authorities that received CLG funding to tackle beds in sheds.” MRN are concerned that enforcement activity around ‘beds in sheds’ is focused on targeting migrants to check their immigration status rather than improving housing standards.

In mainstream media, recent stories have emerged of how local authorities have tackled their “beds in sheds” in response to the government’s announcements about the ministerial task force. In Oxford, where some of this funding has been received, the council has put in place extra resources and reportedly have over 50 properties at various stages of inspection.

\textsuperscript{87} CLG 2012
\textsuperscript{88} https://www.gov.uk/government/news/new-3-million-fund-to-crack-down-on-rogue-landlords
\textsuperscript{89} https://www.gov.uk/government/news/major-clampdown-launched-on-beds-in-sheds
\textsuperscript{90} Robinson 2010
\textsuperscript{91} Migrants Rights Network 2013
\textsuperscript{92} http://www.publications.parliament.uk/pa/cm201314/cmselect/cmhaff/616/61605.htm
or enforcement. In Slough, the local authority is seeking to “levy council tax on some of the garden dwellings that are deemed acceptable for living in”.

Somewhat bizarrely, the BBC report Slough Council have also attempted to prosecute landlords for failure to issue EPCs to tenants in these “garden dwellings” but have been unable to do so because garden sheds and summerhouses – intended to be unheated, unoccupied buildings – do not require EPCs.

3.6 HMOs and Planning

In 2010, the government relaxed regulations and allowed change of use between C3 (dwellinghouse) and C4 (small scale HMO) without a planning permission. However, local planning authorities have the right to remove permitted development rights under the so-called Article 4 direction. 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 change. Frequently this is in response to community campaigns against HMOs.

Many local authorities have introduced Article 4 directions in specific areas of the city (e.g. Brighton and Hove, Birmingham, Sheffield, Newcastle) but notably many local authorities, e.g. Manchester (see below), Nottingham, Oxford, Southampton, York, and Worcester (to come into force July 2014), have introduced city-wide Article 4 directions. The most common trigger in these towns is concerns over ‘studentification’.

Coastal towns have also sought to restrict further HMO development; e.g. Blackpool has three areas covered by Article 4 Directions.

Article 4 Directions, studentification, and neighbourhood stability

The relationship between Article 4 Direction and neighbourhood stability is not straightforward, and may actually act to “lock in” large numbers of HMOs in an area. In areas with Article 4 Directions properties with the C4 use class become more valuable than family homes. Landlords are likely to seek to keep them as HMOs, as this is a valuable ‘business

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93 http://www.oxfordtimes.co.uk/news/11075839.Council_squad_to_tackle____beds_in_sheds____housing/
95 ibid
96 CLG 2010
97 http://www.planningportal.gov.uk/permission/responsibilities/planningpermission/permitted
98 Layard 2012
99 http://www.nottinghamcity.gov.uk/article/22767/Article-4-Directions-and-Restrictions-on-Permitted-Development
100 http://www.oxford.gov.uk/PageRender/decP/PlanningandHousesinMultipleOccupation.htm
102 http://www.york.gov.uk/news/article/279/cabinet_comprehensive_review_on_houses_in_multiple_occupatio
103 http://www.worcester.gov.uk/index.php?id=1107
104 http://www.blackpool.gov.uk/Residents/Planning-environment-and-community/Planning/Article-4-direction.aspx
model’ that can work with different client groups. For example in Manchester there is a trend of more students being housed in halls of residence closer to the city centre, away from traditional ‘student areas’, but that does not mean the properties in the former student areas 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, because they would lose a couple of hundred thousand pounds. What they are likely to do, as they are businessmen, is move into the next business model. If I was a landlord in this area with a 9 bed house, I would look at the welfare reform bill, and turn my house around with its use classification with it, and I would chop it up into bedsits, I would get single males under the under the age of 35 in there, as that is the only way the housing benefit is going to get paid. So yeah, we could de-studentify, but the question is, what is your next tenure type going to be?”

Evidence from Sheffield suggests that Polish workers had moved into former student HMOs which had become void as students had moved into halls of residence – a very similar scenario that is potentially described in Manchester.

The current relationship between planning and HMOs is therefore defined by the community backlash against HMOs; the subsequent Article 4 Direction is largely reactive, and may be non-conducive to the long-term sustainability of areas.

Section 4: Key Policy Mechanisms relating to Energy Efficiency in HMOs: the Housing Act 2004 and Energy Act 2011

4.1 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 created a new definition of HMOs (see section 1) and further:

- Established a new evidence based approach for local authorities to identify and act on housing health and safety issues (“Housing Health and Safety Rating System”)
- Introduced mandatory licensing for all large HMOs – this applies to all Section 254 HMOs over three stories with over 5 people forming more than two households
- Gave local authorities powers to introduce additional licensing of smaller or Section 257 HMOs in areas with poor housing conditions or management
- Gave local authorities powers to introduce selective licensing - licensing of all private rented properties in areas with low housing demand and/or anti-social behaviour issues.

The Housing Act gives environmental health officers (EHOs) substantial enforcement powers and duties to tackle poor housing standards in HMOs. However, our interviews with EHOs showed that the emphasis is on a pragmatic collaboration with landlords with formal

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105 Interview with senior figure, student letting
106 Gryszel-Fieldsned and Reeve 2007 p 2
enforcement action a rare, final option\textsuperscript{107}. This may sometimes be to the detriment of the energy efficiency agenda. For example, few authorities are likely to require landlords to install more difficult and expensive insulation measures (see section 4.1.1 below) – even where this could be key to protecting tenants from cold.

Both in terms of the formal requirements of the legislation and regulations and in our discussions with Environmental Health Officers about day-to-day practice it seems there is more emphasis 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 fires\textsuperscript{108} by an order of magnitude.

4.1.1 Housing Health and Safety Rating System (HHSRS) and HMOs

The Housing Health and Safety Rating System (HHSRS) is the housing risk assessment tool used by EHOs in England and Wales. It is designed to provide a flexible enforcement framework allowing officers to consider multiple risks in properties and balance serious hazards against more minor problems. Local authorities have a duty to identify and intervene in relation to Category 1 (serious) hazards. They have the power to intervene in response to Category 2 (more minor) hazards.

There are 29 different hazards assessed using HHSRS. Two of these relate to energy and energy efficiency: “Excess cold” and “Damp and Mould Growth.” Government Operating Guidance for HHSRS produced in 2006 identifies cold as a much more serious health hazard than damp and mould growth\textsuperscript{109}.

HHSRS applies in HMOs (specifically, to the units within HMOs). Some differences are recognised in the official Operating Guidance between HMOs and single family dwellings in terms of:- the application of the methodology; the impact of hazards identified; and the measures that should be recommended for improvement. For example:

\textit{“For dwellings where rooms are occupied for both living and sleeping, such as bedsits and small flats in multi-occupied buildings, then the presence of dampness may be more significant as occupants can be expected to spend a greater proportion of time exposed.”\textsuperscript{410}}

Data included in an Annex to the Operating Guidance shows how health hazards differs for homes of different ages, separated into HMOs and non-HMOs. Based on a 1996 Housing Survey this data shows that the typical HMO posed a category 1 hazard for excess cold in all

\begin{footnotesize}
\begin{itemize}
\item The reasons for this are various: official guidance encourages EHOs to work in this way with landlords; resourcing constraints mean that authorities cannot afford the cost and effort associated with formal enforcement; gathering a robust evidence base for action under HHSRS is complicated.
\item ODPM, 2006
\item ODPM 2006, p58
\end{itemize}
\end{footnotesize}
age-classes bar one (homes built 1946-79), even post-1979 properties. Further, in nearly all age classes, HMOs are more likely to pose a cold and damp health risk to residents than non-HMOs. Though this data is now very old, the insight that the average likelihood of poor health arising for both cold and damp is higher in HMOs than in single household dwellings is still important.

Data from a survey undertaken by Beach and Sale in 2010 of 32 councils for the National HMO Network (see Figures 6&7) assessed how environmental health officers were using HHSRS to require improvements to heating systems and insulation in cold HMOs.

![Space heating in HMOs](image)

![Excess Cold – difficult to treat insulation issues](image)

Figure 6&7: Beach and Sale, 2010

Figure 6 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 5.2.1 below.

Requirements for heating need to be understood against requirements for insulation that EHOs might specify, as officers should require more efficient heating in properties with lower insulation. However (Figure 7) Beach and Sale found that the insulation standards expected of harder-to-insulate elements of HMOs were also often low. Specifically, 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 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.

Therefore, there seems 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.

### 4.1.2 HMO Licensing

Mandatory licensing of larger HMOs has been in place since 2006 and applies to all properties over three storeys lived in by five or more people, forming two or more

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111 Noting that HMOs typically being older properties are often hard-to-insulate
households. As a requirement of licensing, HMOs should be managed by fit and proper people and should meet basic standards of upkeep and fire safety. These standards do not relate to provision of adequate of effective heating or insulation apart from to state that such installed measures should be properly maintained.

In Nottingham, the first HMO licence costs £910 with a discount to £795 for landlords who are members of the local landlords’ accreditation scheme. Fees are cheaper for subsequent licences for additional properties and for licence renewals.

In setting licence conditions, the Housing Act 2004 give councils a degree of flexibility and interviews with EHOs showed that practice differs significantly around the country. In Croydon as a licence condition landlords are required to check tenants’ identity and immigration status.

In Hull, landlords are required to ensure that fire-safe ceilings are in place. Mandatory licensing for large HMOs was first introduced in Hull In 2000 and nearly all of Hull’s licenced HMOs now have the fire-safe ceilings. Upgrading ceilings in Victorian properties (that make up the majority of Hull’s HMOs) is a significant and disruptive measure. This example shows that systematic large scale refurbishment in HMOs can be driven through by use of the licensing powers. This is important evidence to consider in regard to energy efficiency upgrades.

There is no research evidence of the effectiveness of licensing in driving higher housing quality, though Croydon Council speak of the positive effect of mandatory licensing in their consultation on additional licensing. Given that housing teams prioritise HMOs for HHSRS inspections, it would seem likely that those large HMOs belonging to largely law-abiding landlords have been improved relative to other types of PRS property. However, mandatory licensing has been repeatedly criticised for leading to a focus on registering decent landlords at the expense of tackling the worst properties – and this seems borne out by our evidence from Manchester – see Section 5.2 below. The Rugg review stated that the 2004 regulations on HMOs left Environmental Health Officers dealing “with a vast number of largely compliant applications, which does not leave capacity for tackling non-compliance.”

4.1.3 Additional and selective licensing

The Housing Act provides for additional licensing to be applied to all HMOs in an area, as well as the larger HMOs that are subject to mandatory licensing. This can include S257 HMOs. The Housing Act states that additional licensing should be applied where a:

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112 Housing Act S67
113 http://www.croydon.gov.uk/contents/departments/housing/pdf/alscroyhmo
114 “... the success of the mandatory licensing scheme which has improved the licensable stock and greatly reduced the number of "rogue" landlords.”
http://www.croydon.gov.uk/contents/departments/housing/pdf/alscroyhmo
115 Rugg and Rhodes 2008
“significant proportion of the HMOs of that description in the area are 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.”

In Nottingham, for example, additional licensing has been applied to a large part of the city centre, with the council explaining the reasons for the scheme in terms of improving overall management, tackling anti-social behaviour and ensuring fundamental basic standards of accommodation. Notably this last priority does not include protection from cold or damp, “fundamental basic standards” being defined as “safe gas and electrics, fire safety, suitable room sizes and adequate provision of kitchens and bathrooms for the number of occupants.”

Nonetheless in terms of energy efficiency in HMOs, it would seem relevant to consider energy efficiency and fuel poverty as a basis for additional licensing schemes. For example, an area with a large number of F and G banded smaller HMOs or S257 HMOs could be said to be “managed... sufficiently ineffectively to give rise to one or more particular problems... for those occupying the HMOs.” This is an approach taken by Bath and North East Somerset, as we explore in Section 5.

Selective licensing is a power under the Housing Act distinct from additional licensing. Under selective licensing local authorities can required licences for all private rented properties in areas where “the area is, or is likely to become, an area of low housing demand” or where “the area is experiencing a significant and persistent problem caused by anti-social behaviour.”

The narrower definition of selective licensing powers do not seem to offer the same opportunity to consider energy efficiency in the planning of new licensing schemes. However, selective licensing could offer opportunities to communicate to landlords the benefits of energy efficiency and ensure that EPCs have been provided to tenants as legally required.

4.2 Energy efficiency policy: The Energy Act 2011

Our thesis is that energy vulnerability in HMO is increased because the marginal status of HMOs and their residents often 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 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:

116 Housing Act 2004, S56
117 Housing Act 2004, S80
118 Ibid.
119 See DECC 2011 for a summary of the main elements of the Act
• The Green Deal which enables householders to install energy saving measures at no or lower upfront costs, with repayments (intended to not exceed the financial savings of the measure) 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 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 measures to be installed, landlords cannot unreasonably refuse to do so, from 2016. Landlords will only be bound by these requirements where financing is available.\textsuperscript{120}

Energy Performance Certificates
The 2011 Energy Act programmes relate in various ways to the requirements for homes to have an EPC at point of sale or letting. For example the Green Deal assessment involves the production of an EPC. Since 2008, 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. The energy rating of the property has 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 where an HMO is let as a whole property – looking at the HMO typology this would be only in the “group of sharers” scenario and in “poorly converted flats” scenario.

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,”\textsuperscript{121}, 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 HMOs\textsuperscript{122}, 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 EPCs for HMO unit lettings would not be taken forward as this amounted to “goldplating” the European legislation\textsuperscript{123}.

\textsuperscript{120} The works to be undertaken will be limited to those that can be financed by ECO and/or Green Deal or through “such other... financial arrangement as the regulations provide.”

\textsuperscript{121} \textit{DIRECTIVE 2010/31/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 19 May 2010 on the energy performance of buildings (recast)}

\textsuperscript{122} CLG, 2010a, P21

\textsuperscript{123} CLG, 2010b
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, environmental health officers and some domestic energy assessors rely 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 2 contains considerations on this point.

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.

An extreme example of confusion in this area is Slough Council’s attempts to require EPCs on garden sheds used as illegal accommodation – see 3.5 above.

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.

PRS minimum standards and HMOs

PRS minimum standards would not currently apply to HMOs let under multiple tenancies because there is no point at which an Energy Performance Certificate is required, and the EPC at point of rental is required to act as a trigger for the minimum standards regulations. 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. Some, but not all, stakeholders we surveyed were of the view that this problem was compounded by Section 42 of the Energy Act which defines a private rented property only as one let under “a tenancy...” rather than one let under “tenancies”.

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.
• **Are measures suitable for HMOs**: HMOs are typically older properties requiring solid wall insulation and often other types of non-standard insulation. Recent proposed changes to ECO will reduce the level of solid wall activity in the programme.\(^{124}\)

• **Prioritisation of HMOs within ECO**: ECO sets up a market mechanism for delivery by energy companies: they will choose the most cost-effective way to hit their ECO targets. HMOs with non-standard built forms and multiple tenants may not be prioritised for ECO funding as they are seen as too challenging – and therefore expensive – to address. Early evidence from DECC suggests that the private rented sector is accessing the ECO to a lesser extent than other tenures.\(^{125}\)

• **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 issued 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 letting.\(^{126}\) EPC enforcement is meant to be delivered by local authority trading standards teams but wider resourcing issues in local authorities may be preventing robust action.

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\(^{124}\) Proposed in DECC’s March 2014 Consultation on the Future of ECO – see DECC, 2014 p3; The same consultation also proposes actions to ensure electrically heated homes benefit from boiler upgrades under ECO – this may be to the benefit of HMOs.

\(^{125}\) By September 2013 10% and 7% of the CERO and CSCO sub-programmes had gone to the PRS. 18% of the Affordable Warmth funding (which is restricted to private sector homes only) went to the PRS. DECC’s modelling predicts only 1% of CERO and CSCO funding going to PRS in the 2014-17 period – see DECC, 2014 p16

### 4.2.1 Applicability to Different Types of HMOs of Elements of the 2011 Energy Act

<table>
<thead>
<tr>
<th>Type of HMO (refers back to HMO typology – section 2.5)</th>
<th>Green Deal</th>
<th>ECO</th>
<th>PRS Regulations (2016 and 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type 3: “Group of sharers” Unmodified shared house let to group of sharers under a single tenancy agreement; one gas &amp; elec meter for whole property; landlord pays energy bills</td>
<td>Unproblematic in regulatory terms.</td>
<td>Unproblematic</td>
<td>Unproblematic: an EPC is required at the start of the tenancy and this will “trigger” the 2018 minimum standard requirements</td>
</tr>
<tr>
<td>Type 3: “Group of sharers” Unmodified shared house let under a single tenancy agreement, one gas &amp; elec meter for whole property; one lead tenant named on energy bill</td>
<td>Unproblematic in regulatory terms, though in practice a group of tenants might disagree about whether they want the Green Deal.</td>
<td>Unproblematic</td>
<td>Unproblematic: at an EPC is required at the start of the tenancy and this will “trigger” the 2018 minimum standard requirements</td>
</tr>
<tr>
<td>Type 2: “Rooms in a shared house” Unmodified shared house let under multiple tenancies, one gas &amp; elec meter for whole property; one lead tenant named on energy bill</td>
<td>Unproblematic in regulatory terms, though in practice a group of tenants might disagree about whether they want the Green Deal.</td>
<td>Unproblematic</td>
<td>Unproblematic: an EPC is required at point of letting rooms</td>
</tr>
<tr>
<td>Type 4: Bedsit Shared house split into partially self-contained bedsits let under separate tenancies; Landlord pays bills</td>
<td>Green Deal complicated by likely requirement to use SBEM assessments in these types of property.</td>
<td>ECO complicated by possible requirement to use SBEM assessments in these types of property</td>
<td>PRS regulations not applicable: no EPC is required at point of letting rooms</td>
</tr>
<tr>
<td>Type 4: Bedsit Shared house split into partially self-contained bedsits. Tenants have own prepayment meters</td>
<td>Green Deal complicated by likely requirement to use SBEM assessments in these types of property. Also unclear how GD would relate to meters in non-fully self-contained dwellings.</td>
<td>ECO complicated by possible requirement to use SBEM assessments in these types of property</td>
<td>PRS regulations not applicable: no EPC is required at point of letting rooms</td>
</tr>
<tr>
<td>Type 5: Poorly converted, fully self-contained flats (S257 HMO)</td>
<td>Green Deal unproblematic in regulatory terms, but poorly converted nature of the buildings, multiple leaseholders may make installation of measures difficult.</td>
<td>ECO unproblematic in regulatory terms, but nature of the buildings, multiple leaseholders may make consents and installation of measures difficult.</td>
<td>Unproblematic</td>
</tr>
</tbody>
</table>

**Key**

- Applicability of scheme to this type of HMO non-problematic
- Applicability of scheme non-problematic in regulatory terms but may be complicated by broader issues
- Further official guidance likely to be required before the scheme can be applied to this type of HMO
- Changes to legislation required to bring this type of HMO into the scheme
Section 5: The Local Framework

5.1 Introduction

This section aims to illustrate how national policies have been implemented at the local authority level. We focus on one city – Manchester – as a case study. This section then looks at wider examples of local authority action, bringing together findings from interviews with local authority housing officers.

5.2 Manchester

Local authority staff interviewed for this project identified that the socio-economic profile of the city creates a high demand for HMOs, including housing for asylum seekers and homelessness prevention. CLG 2007 HMO data estimates 9,155 HMOs in the city. There are around 1,100 HMOs on the mandatory licensing register.

In terms of multi-person households, the Census 2011 recorded 6,403 (3%) full-time student households, and 14,725 (7%) ‘other’ multi-person households. This suggests that, despite the significant focus on ‘studentification’ in some parts of the city and the subsequent adoption of the Article 4 Direction, there are twice as many other types of multi-person households than full-time students households in Manchester. Nonetheless, the student population is significant, Manchester University and Manchester Metropolitan University have a student population of 40,000 and 37,000 respectively.

This is supported by interviews which confirm licensed HMOs in Manchester fall into two main categories: student accommodation and hostel/B&B, the latter accommodating mainly single males who do not meet the local authority’s statutory re-housing requirements. The cluster of HMOs shown in the map (Figure 8) 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.

One interviewee described the stark differences between these two distinct HMO markets in Manchester: “These cost about £95 per week. So the student demand has led the market, and the legislation, together. What it’s done, it has improved the stock condition in south Manchester. If you were to compare the HMO landscape here [South Manchester] to the HMO landscape in Cheetham Hill, two totally different animals. Two completely different beasts.”

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127 Smith 2011
128 www.manchester.ac.uk
129 http://www2.mmu.ac.uk/about/
Figure 8: 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.
5.2.1 Licensing in Manchester: the resourcing challenge

Manchester was a comparatively early adopter of selective licensing for PRS properties in areas of the city with a perceived problem of anti-social behaviour. However, selective licensing was criticised due to very low levels of enforcement, resulting in dissatisfaction among compliant landlords and elected members:

“This Committee asked what incentive there was for landlords to be licensed. The Head of Private Sector Housing said this was an issue that needed addressing. Feedback from licensed landlords was that … too much time was being spent on the bureaucracy of licensing, with not enough spent on enforcement and prosecution”

Currently there are no plans to introduce additional licensing of smaller HMOs in a given area, nor continued selective licensing of PRS properties in any part of the city, after the scheme attached to the HMR Pathfinder in the north of the city has finished.

Staff interviewed for this study confirmed that the reason for not considering additional licensing in Manchester are complex, but the main reason cited was the lack of staff resources compared with the relatively large number of HMOs in Manchester. It is likely, however, that the unpopular selective licensing scheme in the recent past also plays a part in providing a disincentive to introduce additional measures for private landlords.

What is more, in 2011, four years into the mandatory HMO licensing scheme, there had been only approximately 250 inspections with only one year left of the 5-year cycle.

It is worth noting that since 2010, Manchester City Council (MCC) has been undergoing a major programme of restructure. As a result, MCC’s staff numbers reduced by more than 2,000 full time equivalent staff between December 2010 and October 2012. The impact of this is reflected in the interviews on organisational capacity to tackle energy efficiency in the PRS. The former Private Sector Housing team has disappeared, and those job roles that remain after the restructure, have been integrated into the new Neighbourhood Services Department. It is also worth noting that Manchester’s experiences are not unique, and likely to be mirrored in many of the large metropolitan areas in the North of England. Looking forward to 2018, the resource challenge for PRS EPC enforcement is highlighted by a recent survey by Friends of the Earth that found that only 40% of rented property adverts in Manchester displayed the required EPC information.

5.2.2 Manchester Student Housing (MSH)

MSH is a voluntary accreditation scheme for student landlords. It collaborates with the University of Manchester and Manchester Metropolitan University, and works with landlords to professionalise the sector. They are one of the main letting agents for students in Manchester, offering 5,500 HMO bedspaces. The voluntary accreditation scheme appears

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130 MCC 2011a
131 MCC 2011b, p 51
132 MCC 2012
133 http://www.manchesterfoe.org.uk/greater-manchester-estate-agents-failing-to-display-vital-home-energy-ratings/
to have worked towards improving standards, and stakeholders interviewed agreed that MSH was a good model for managing PRS student lets. Furthermore, it has enabled a strategic partnership with MCC to steer and tackle issues to do with student housing.

5.2.3 Student housing and energy efficiency

The view of MSH on the introduction of EPCs is that it has not created any impact among students, mainly because students appear not to understand what the EPCs are for, and also because their house hunting criteria simply do not include energy efficiency at the moment:

“We’ve done that already, and are advertising EPCs. All landlords have it. [...] Easy enough to introduce to the landlord market, but what is interesting is the impact EPCs may have had on students – on the tenant market. I would argue that it has had zero impact. Since EPCs came in, and we were right at the forefront of that literally from the date it went live, we were advertising them. Not one student has enquired about EPC, not one. We don’t get any students coming in saying “can you show me a B rated property because I’m worried about fuel efficiency and I don’t want to get a property that is below D”. They don’t know what it means, don’t click on the link, don’t view it. It is not part of their criteria when they are looking for accommodation.”

The main energy criteria students do consider is whether or not energy bills are included in the rent. MSH experience is that up until 3-4 years ago, the default position was bills-exclusive deals, but that students have started to ask for inclusive rents (70% of requests are for inclusive bills). Inclusive bills may reduce uncertainty and inconvenience associated with managing energy bills, but it also disincentivises behaviour change towards energy conservation on the part of the tenant (more positively, it may make the landlord more inclined to install energy efficient features).

MSH felt that landlords in Manchester are responsive to market signals, and that if energy efficiency was a higher priority for their customers, the landlords would be more likely to show interest for example in the Green Deal offer.

5.2.4 Energy issues in non-student HMOs in Manchester

According to the interviews, there is very little focus on energy in the HMO licensing process - most attention for compliance with licence conditions is on basic health and safety (which is not seen as including risk of cold). In terms of energy efficiency, in order to get a licence granted or renewed, a HMO needs to only have “fixed heating” (ie portable heaters not acceptable) and windows in “decent repair”. If a property does not meet these criteria, depending on the case, the landlord will receive a letter detailing what need to be improved, but enforcement is low. Most often, the licensing authority will check whether the improvements were made when it comes to renewing the license. With the most at risk properties, the license period can be cut short (standard period is 5 years, but only a 3 year licence might be granted for at risk properties).

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, partly relating to the built environment, partly relating to the landlords as well as the occupants. 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 ongoing work with Green Deal and ECO is unlikely to be targeted at HMOs or the PRS more widely, at least in the first few years before the market has matured:

“In terms of issues, I have to say, energy efficiency in HMOs was never a particularly high priority - there were many more pressing issues on HMOs, in terms of enforcement, repair, management, health and safety, issues in terms of neighbourhood issues emanating from HMOs for us to really get to look at energy efficiency of that stock. The programme since then 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)

However, prior to 2009, when local authority teams on private sector housing and energy efficiency interventions were better resourced; “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. Overall, the reduction in institutional capacity following the fiscal contraction since 2010 has been remarkable and acutely felt in the housing services focused on the PRS and HMOs. Most of Manchester City Council’s former capacity in this areas has been disbanded, and all of the energy efficiency/ retrofit offer (Green Deal and ECO) is now channelled through the city region, Greater Manchester context:

“I don’t think that exists. You are not going to see anyone like say myself in the PRS, I used to work in energy efficiency in the private rented sector. You’re not going to see that anymore with local authorities. They will sit within “Strategy” but it won’t only be their role, energy won’t only be their role, strategy will be. So if something comes around energy, they will deal with it. Something like affordable warmth document, they’ll deliver it. But I don’t ever see them project manage it anymore in the private rented sector like we used to [...] It doesn’t exist anymore, that’s the reality. The money we get now comes from DECC through Green Deal, hopefully. Capital budgets in local authorities for energy aren’t there anymore.” (Project officer, Greater Manchester)

“We had a specialist HMO team, there isn’t a specialist HMO team anymore. There are some specialists that deal with HMOs. That team is now part of neighbourhood services as opposed to private sector housing. There are questions about, we have less capacity as a city to intervene in that market, in terms of our licences, while we have a good understanding of licensed HMOs in Manchester.” (Senior figure, Greater Manchester)

Furthermore, Manchester interviewees highlighted that it is politically difficult for the city council to direct resources towards the PRS. For these reasons, and also for the well-documented problems of “split incentive” in terms of energy efficiency investments in the PRS and the relative newness of the Green Deal/ ECO offer, those measures would be initially targeted at social landlords and owner occupiers, before engaging with the PRS.
5.3 Other local authority experiences & practice: HMO licensing and energy performance standards

As we have identified, local authorities have fairly wide-ranging powers in regard to HMO licensing that could be used to address energy efficiency and cold homes. In some cases, for example Croydon and Oxford, additional licensing schemes are extended to the whole borough, though the size of property (minimum number of storeys/people/households in the HMO) to which they apply can vary.

Using HMO licensing to encourage action on cold HMOs can have three dimensions:

- Using the prevalence of fuel poverty and cold homes as grounds for setting up an additional HMO licensing regime in a given area – this will likely be alongside other evidence of poor management/poor property condition;
- Setting a requirement for landlords to produce EPCs as a licence condition;
- Setting minimum standard for energy efficiency in properties as a licence condition, with an appropriate period of time for properties to reach the standard.

Bath and North East Somerset offer the best example of all three aspects of this approach.

5.3.1 Case study of additional licensing in Bath including minimum EPC standards for HMOs

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.

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134 Text in this section based on a variety of council documents; reviewed and agreed with Council staff.
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 relevant 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.

5.3.2 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 £4,550
- 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.

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5.4 Opportunities and challenges for local authority action on cold HMOs

We would summarise the positive examples we came across in research of local authority action on cold or poor quality HMOs, as follows:

- New data collection, housing stock modelling and analysis of HMO properties (in Haringey\textsuperscript{136})
- 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 5.3 above – and planned in Oxford and Camden)
- 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)

Joined up approaches seem likely to deliver the best results. We also heard evidence that some authorities combine programmes of data gathering, intensive enforcement under HHSRS and programmes of grants and support.

In speaking to housing teams and other interviewees we have identified the following challenges to local authorities taking action on cold HMOs. Some of these challenges are specific to HMOs, others – generally better documented – apply to the wider challenge of tackling cold PRS homes:

Challenges specific to HMOs

- HMO tenants move more often so are less involved in the condition of their properties (ie do not often report problems). Vulnerable tenants may also experience very little or no choice over their PRS accommodation, and therefore accept sub-standard conditions as the only option available. They may also not perceive cold as a major issue against other challenges they face in their life\textsuperscript{137}. This compounds the wider PRS problem that tenants may be reluctant to complain about cold or damp problems for fear of retaliatory evictions - see below.
- HMOs are older, often poorly converted properties that are very likely to be hard to insulate. EHOs can struggle to advise landlords on appropriate measures and may feel it is inappropriate to recommend costly or very disruptive measures.
- 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 – but it is at this building level that energy efficiency is most effectively tackled.

\textsuperscript{136} Haringey Council’s study from 2012 provides a very good example of how councils can bring together multiple datasets – the electoral roll, housing data, planning data, surname analysis from council tax accounts - to identify concentrations of HMO properties – see http://www.haringey.gov.uk/appendix_2__hmo_research_paper.pdf

\textsuperscript{137} 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 breakdowns – actually impact on other areas of tenants’ lives – health, managing budgets, relations with other tenants.
• Energy efficiency assessments are complicated by the non-standard built form and diverse heating systems of many HMOs—for example properties might have a central shared heating system for shared facilities and then different types of heating in different dwelling units.
• HMOs are often older properties. In some urban areas they are concentrated in areas that have been designated conservation areas. This can make energy efficiency upgrades harder to deliver. For example, permitted development rights for external solid wall insulation are suspended in conservation areas.
• Section 257 HMOs often have a freeholder, multiple leaseholders and tenants: coordinating action to agree action on energy efficiency across the building can be very challenging.
• Data remains a challenge—local authorities need to invest in data collection and mapping to find the unlicensed HMOs\(^{138}\), beds in sheds and rogue landlords.

**Wider challenges to tackling cold private rented sector properties**
There are many barriers to energy efficiency in the wider private rented sector, nearly all of which apply to HMOs. Below are just some of the key issues:

• The HHSRS risk assessment framework is very complicated particularly in relation to excess cold. Questions about both how hazards are assessed and what energy efficiency improvements it is appropriate and permissible to require have been the subject of ongoing debate and legal discussion since HHSRS was introduced;\(^{139}\)
• The costs to the council of gathering evidence to take enforcement action under the complex HHSRS regime;
• Lack of enthusiasm and interest from landlords in making energy efficiency improvements, which they do not perceive translate into improved capital values;
• Retaliatory evictions: there is no barrier to landlords evicting tenants who complain about housing conditions. Shelter report that 1 in 12 renters claim to have avoided asking their landlord to repair a problem or improve conditions in the last year because they were scared of eviction and that around 2% of tenants have suffered a retaliatory eviction.\(^{140}\) Interviews in the course of this project—including with landlords—have confirmed that retaliatory eviction (or the threat of it) is an understood feature of relations between HMO landlords and tenants.

Finally, a key challenge for local authorities is resourcing of private sector housing enforcement activity as we describe in detail in relation to Manchester above. Though the 2004 Housing Act places a duty on local authorities to keep their housing stock under review to identify and act on Category 1 housing health and safety hazards\(^{141}\), in practice authorities have always struggled to fulfil this duty, at least in relation to excess cold.\(^{142}\)

\(^{138}\) Noting that HMOs may be unlicensed either because they don’t require a licence—not being large enough to meet mandatory licensing - or because landlords have evaded licensing requirements.

\(^{139}\) See EEPH, 2008

\(^{140}\) http://blog.shelter.org.uk/2014/03/cant-complain/

\(^{141}\) Housing Act 2004, Section 3

\(^{142}\) EEPH, 2008
Recent local authority budget freezes will have made the situation worse. 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” and “A total of 1,272 jobs (headcount) have been lost in environmental health services in the UK over the past two years.”

Section 6: Conclusions and Recommendations

There are several reasons why residents of HMOs have a higher risk of energy vulnerability than households who live in 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. The problems highlighted in asylum seeker accommodation in the recent NAO review point to systemic problems and failures in providing acceptable and safe housing to just one social group in HMO accommodation.

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. HMO occupants face issues such as poor maintenance and involuntary relocations which contribute to insecurity in this tenure. Furthermore, energy arrangements and control over heating are frequently more complicated than in single family accommodation. Lack of control in HMOs is among the most pronounced risks for the mental health of HMO occupants: “an inability to control circumstances within our own home may lead to feelings of low self-efficacy”.

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 to 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. We should be working towards at least EPC “D” as the minimum energy efficiency standard considered acceptable in HMOs – moving towards this standard at the same time as minimum “E” is applied to wider PRS stock. Consumer Futures estimate the average cost of bringing detached homes to a D standard as being £6,927.

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

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143 Note that this covers all environmental health services, not just housing.
144 Barratt, 2012
145 Consumer Futures, 2014
• **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;

• **Maximise the impact of licensing on cold HMOs** by encouraging local authorities to make best use of licensing to tackle cold homes, including a minimum EPC “D” standard for HMOs as a condition of mandatory and additional licensing;

• **Promoting systematic local authority action on cold HMOs** aligning licensing with housing health and safety inspections, accreditation schemes and grants;

• **Ensuring government programmes housing vulnerable people in HMOs incorporate a minimum “D” energy standard for properties.**

We consider each of these headings in more detail.

**Levelling the playing field**

Regulation needs to be amended to require a building level Energy Performance Certificate to be issued to HMO tenants at point of letting units within the HMO. This certificate should be produced at the individual bedsit level when the bedsit has its own electricity meter.

This will be a key step to bring HMOs within scope of the Energy Act 2011 PRS minimum standards regulations. However, additional action may also be required, specifically amendments to the Energy Act to ensure homes let under multiple tenancies are covered by the PRS regulation provisions.

To ensure that HMO residents and owners are receiving accurate and appropriate EPCs, government should issue new guidance on when and how residential and non-residential methodologies are to be used in the production of EPCs for HMOs.

HMOs form part of the wider private rented sector and there are many steps that government could take to better promote energy efficiency across the sector, including:

• A private rented sector “ringfence” within the ECO programme allocating a certain proportion of the target to the private rented sector (this could include specific monitoring of the participation of HMOs in ECO);

• Introduction of measures to prevent retaliatory evictions when tenants complain about cold homes or other housing quality issues as has been recently discussed by DCLG.\(^{146}\)

**Maximising the impact of licensing**

Within the current regulatory framework, additional use of HMO licensing powers offers the best route to tackle cold HMOs. This will need to be led by local authorities with effective support from central government.

For large HMOs a D standard can be included as a condition of licence renewal, with landlords then be given two years to bring properties up to the standard. This could see the majority of large HMOs brought up to a D standard in 2016-2018: many mandatory licences for large HMOs will be renewed in 2016 because HMOs are licensed for 5 years and the first

\(^{146}\) DCLG, 2014
licences were issued in 2006. Implicit in this approach is that the production of an EPC should also be a licence condition for HMOs.

For smaller and S257 HMOs there is scope for much greater use of additional licensing to tackle cold homes and we suggest local authorities should consider:

- Gathering data on areas with high concentrations of cold HMOs and/or HMOs and fuel poverty, with a view to introducing additional licensing schemes for smaller and S257 HMOs in those areas;
- Requiring EPCs to be produced as a licence condition and introducing a minimum standard of EPC “D” as a licence condition, with landlords given two years to meet the standard.

DECC and DCLG will need to support local authorities with the resources and data to introduce energy efficiency minimum standards in HMO licensing. This will include support to monitor excess cold and damp risks in HMOs and to build the case for additional licensing on the grounds of high levels of fuel poverty.

**Systematic local authority action on cold HMOs**

Licensing is just one way in which local authorities interact with HMOs. Systematic programmes of inspection, grants and support and voluntary accreditation can all be used alongside licensing to promote warmer HMOs.

Particularly important is that authorities feel confident in making full use of housing health and safety powers. Authorities can take more robust action in requiring insulation and lower cost heating systems in HMOs identified as an excess cold risk.

**Meeting Housing 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 should focus on the role of HMOs in meeting housing. This could be taken forward through new localised planning powers.

By taking these steps, a minimum D standard can be promoted and achieved on many HMOs. However, our report highlights 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 between tenures. To mitigate against an ambitious minimum standard impacting on supply of HMOs we suggest energy efficiency policies need to: support landlords in taking full advantage of available grants and support; provide a specific grant fund for the properties that need the most investment to bring them out of the bottom bandings; and most
importantly but most radically, signal that a minimum EPC standard is one that all suitable English properties regardless of tenure should be expected to reach as part of a housing stock energy performance trajectory.

These measures would go a long way to tackling the immediate issues but there is a broader 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 addressing the issues, ensuring a positive feedback loop 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.
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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

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<th>DECC</th>
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Appendix 1: 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 Census

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**. 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 dwellings.

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:

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147 www.ons.gov.uk


149 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.”

**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). 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 purix 3 poses 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

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150 https://www.gov.uk/definitions-of-general-housing-terms
151 https://www.nomisweb.co.uk/census/2011/KS401EW/view/2092957699?cols=measures
- recent migrants
- unemployed
- minority ethnic groups
- 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 outlined in the following section, 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. The conclusion to make is that official estimates of the HMO sector are likely to underestimate its true scale.
Appendix 2: 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 (RDSAP\(^{152}\)) 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 HMOs are not in a “dwellinghouse” use class in planning terms, they are not suitable for assessment using a methodology designed for dwellings. This would imply that a much wider group of HMOs needed non-domestic assessments.

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\(^{152}\) 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 - which requires a reduced number of inputs - is approved for use in these homes.