

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



Houses in Multiple Occupancy (HMOs) have been marginalised in energy efficiency and fuel poverty policy making. This is despite the vulnerability of many people living in shared housing and the poor condition of the HMO stock. Standard definitions of fuel poverty, based on income and required energy spend, do not apply where multiple households use common facilities and bills are included in rent or shared. This study gathers evidence to document energy vulnerability in HMOs and then assesses how these properties can be brought more fully into the reach of the energy and fuel poverty policy framework.

Summary of Research

Housing in Multiple Occupancy: Energy Issues and Policy 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 an extensive series of stakeholder interviews.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 license³ smaller HMOs in areas where there are management problems. As with all private rented properties local authorities can monitor, and demand HMO landlords act on, housing health and safety problems including cold and damp.

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

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

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

Summary of Recommendations

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

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

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

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

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

⁴ DCLG, 2014

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

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

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

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

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

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

Further Information

The full report can be downloaded from futureclimate.org.uk

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