The Advisory Working Group on Domestic Private Rented Sector Regulations (Under The Energy Act 2011)

Date:

Monday 13th May 2013, 11am-1pm

Location:

British Property Federation, St Albans House, 5th Floor, 57-59 Haymarket, London, SW1Y 4QX.

Attendees:

Chair – Dave Princep (DP) (Residential Landlords Association)
Association for the Conservation of Energy (ACE) - Jenny Holland (JH)
British Property Federation (BPF) - Tom Younespour (TY)
Camden Federation of Private Tenants (CFPT) – Robert Taylor (RT)
Chartered Institute of Environmental Health (CIEH) - Bob Mayho (BM)
Country & Land Business Association (CLBA) – Jonathan Thompson (JT)

Department for Communities & Local Government (DCLG) - Mark Malvisi (MM)

Department of Energy & Climate Change (DECC) - Marcia Poletti (MP), Chenab Mangat (CM) and Alison Oliver (AO)

Energy UK – Daniel Alchin (DA)

Friends of the Earth (FOE) – Dave Timms (DTi)

Islington Council (IC) -John Kolm-Murray (JKM)

National Landlords Association (NLA) – David Cox (DC)

National Union of Students (NUS) – Neil Jennings (NJ)

North West Tenants and Residents Assembly– Jimmy Devlin (JD)

Residential Landlords Association (RLA) – Simon Gordon (SG)

Royal Institute of Chartered Surveyors (RICS) – Martin Russell-Croucher

Trowers&Hamlins (Legal) (TH) – Chris Paul (CP)

UKGreenBuilding Council (UKGBC) - Richard Twinn (RT)

Apologies:

See Remainder of Membership List.

Welcome:

1.1 The Chair welcomed the attendees to the 4th Working Group on the Private Rented Sector (PRS) Domestic Regulations. He thanked all members for their contributions both at the meetings and between meetings and invited additional comments from members outside the meetings if topics are not fully covered during the meetings due to time constraints. The Chair acknowledged that whilst 100% agreement on

recommendations for workstream issues is ideal this may not always be possible.

1.2 The Chair informed of a separate meeting organised by the Energy Efficiency Partnership for Buildings which will focus on the Green Deal and PRS with the next meeting being held on Thursday 16 May from 10.30am at the BPF offices. The Chair suggested that any outstanding Green Deal issues raised by the PRS working group could be addressed by the Green Deal meeting.

Minutes and Actions from 15 April meeting:

- 1.3 The minutes from the meeting on 15 April were discussed. DTi suggested amendments to sections 1.7, 1.9 and 1.15. In 1.7 he suggested changing the wording to read 'HMOs should be required to have an EPC' and in 1.9 changing the wording to read 'DT claimed that the EPC methodology may not be designed to accurately measure energy efficiency'. In 1.15 he suggested changing the wording of 'agricultural buildings amongst others to be excluded from the regulations' to 'agricultural tenancies amongst others to be included in the regulations' and change the person saying the statement on tenancies from DaveTimms to Dave Princep. It was agreed the changes would be made to the minutes and the minutes shared via the Government website.
- 1.4 DTi asked if copies of redacted Green Deal Assessments could be made available particularly examples where the subsequent energy use is lower than the savings. DECC will follow this up to see if these are available and can be shared with the group. The group also raised concerns about the limited choice of energy supplies offering ECO particularly relating to situation where people require ECO for measures such as solid wall where they would also be limited regarding who they could use for the Green Deal.
- 1.5 In relation to action 9 from the 11 March meeting, SG asked for clarity on whether details of the credit checks carried out by the Green Deal Finance company would be made available even if credit checks carried out by other Green Providers were not. AO confirmed that none of the Green Deal Providers were obliged to share details of their credit checks. It was emphasised that in general 83% of the public would pass the credit checks set up by Providers. The group raised concern that the PRS sector may have a lower pass rate due to the types of tenant, e.g. low income, students, occupying this sector.
- 1.6MP provided an update on action 1 from the15 April meeting and confirmed that Green Deal charges could not be passed on from landlords to tenants under the maximum resale rules but would be able to be passed on separately if the tenancy agreement explicably stated this would be allowed. DP stated that this would be an education issue for the landlord

associations to inform their members. SG queried whether the Ofgem would be able to alter the maximum resale rules. DP added that landlords may instead increase rents to cover the costs and RT raised the concern that landlords should provide evidence of costs included in rent to tenants. DP suggested the group needs to further discuss this issue before putting a recommendation forward.

- 1.7 DC informed that the only information he had found relating to action 3 from the 15 April meeting about whether a Green Deal charge can be included in the service charge for a block of flats was a written report from the Consents and Retaliatory Evictions Working Group held in December 2011. DC proposed whether properties should be exempt from the PRS regulations if communal consent was required. The group suggested that instead the leaseholder of a property could ensure joint consent was obtained from all tenants. The report will be circulated to the group for further consideration.
- 1.8 In relation to action 6 from the 15 April meeting, MP informed that the definition of a consumer is based on the person residing in the property rather than the type of energy tariff. DTi mentioned on behalf of Peter Smith (NEA) a concern that landlords may house people in commercial properties so they could access ECO funding.
- 1.9 DTi asked if DECC would be able to carry out some research on the value of measures that would fall under the Golden rule and asked for clarity whether people would only have to install Green Dealable measures. DECC to follow these points up.

Discussion on Recommendations paper on Workstreams 1, 2 and 3:

- 1.10 MP emphasised that the draft recommendations paper circulated before the meeting is an initial draft that will be continually updated during the time the working group meetings are held.
- 1.11 In relation to the 'Test of reasonableness, unintended consequences and how they could be mitigated' section in the recommendations paper, JH raised concern about the legal wording 'no upfront costs'. MP added that clarity is required around at what point in the Green Deal process the upfront costs were being assessed e.g. at the point measures are installed or during the payback period when there may be voids. DTi acknowledged that there is not a consensus currently on the definition of no upfront costs.
- 1.12 DP suggested that a subgroup would be useful to discuss the wording and definition of no upfront costs and legal clarity was required on sub clause 4 of the Energy Act 2011. MP noted that the CLG clearance letter used the wording 'no net negative costs'. JH confirmed this wording did not appear in the Energy Act 2011 which appears to refer to costs including the energy efficiency costs but not the ancillary costs. Clarity is

required on the interpretation of the primary legislation and what this means for the PRS Regulations.

- 1.13 In relation to the recommendations on reasonableness, RT stated that it was unlikely that tenants would request energy efficiency improvements within the last 2 months of their tenure.DTi queried whether a tenant request would cease at the point a tenant moved out of a property and otherwise whether the timescales for a landlord to respond to a tenants request may have to be adjusted in these circumstances. DC stated that the issue of retaliatory evictions could be alleged by tenants making energy efficiency requests when a landlord is seeking possession and due to the timescales involved in evicting tenants from properties, whether a landlord would still be expected to implement measures during such a time.
- 1.14 SG suggested that an equal test of reasonableness is required for both the tenant and the landlord. MP clarified that if a Green Deal process has started (i.e. the plan had been signed and other conditions met) when a tenant moves out then the Green Deal installation would still have to go ahead. SG asked if this would only be the case if the Green Deal plan had been signed.DTi added that any incoming tenants could also be given the option about whether they would want to take over any previous tenant request.DP added that he thought it unlikely that Green Deal Providers would be content with the complexities of gaining consent from multiple tenants.
- 1.15 It was agreed that it would be useful to add some of the scenarios discussed to the timescales/process diagram sent out before the meeting. CP offered to input legal views including lender consent into the timescales process diagram to add detailwhere required.DTi acknowledged that these scenarios highlight the issue of linking the 2018Regulations with the Green Deal and added that these should be delinked as much as possible. DP suggested that any further thoughts or concerns related to the recommendations papershould be forwarded to DECC who will revise the document.

AOB:

1.16 JH raised concern about the amount of information that is still to be discussed at these working group meetings and the number of meeting left. It was suggested that an alternative method is needed to discuss the workstream issues. MP offered to write a paper on the costs issue. It was agreed that sub meetings would be held on the main outstanding issues and the outcome of the meetings fed back to the main group. DECC will identify the main issues for discussion at these sub meetings and organise the sub groups and meetings. It was also agreed there should be a sub group meeting on the issue around EPCs.

- 1.17 DECC outlined that as per existing procedures for legislative working groups it was noted that actions may not be completed as the evidence may be incomplete, expensive or difficult to obtain, but the attempt would still be considered valuable as the Groups needs to map out if information is available or not, and make efforts to map out which areas may need further research, and the Group's best endeavours are sought by the Chair and Secretariat.
- 1.18 The Chair thanked attendees for their input and highlighted the date for the next meeting of 10 June 2013. DP noted the next meeting would focus on workstream 4 questions. MP suggested the non-domestic paper on starting dates for the regulations could be used as a starting point for this discussion.
- 1.19 It was also discussed whether there should be additional meetings of the working group in August and September. DECC will draw up a proposal for a schedule for the future meetings to ensure all workstream issues are discussed. It was also noted that the sub group meetings should be held at least a week and a half before the next main meeting.
- 1.20 It was acknowledged that the outstanding issues from Danielle Troops paper on workstream 2 have not been discussed at this meeting and that they will be discussed at a future meeting.

Websites:

https://www.gov.uk/government/policy-advisory-groups/130

(Along with a link to the separate Non Dom Group) https://www.gov.uk/government/policy-advisory-groups/133

They have also been linked to the Green Deal householders/landlords page. https://www.gov.uk/getting-a-green-deal-information-for-householders-and-landlords

24/05/2013

Annex A - Update on Actions from 11 March meeting

Action Number	Action	Lead/Owner *	Contributors	Report back date	Status	Comments
1	Revised Action: To update the working group on work currently going on about potential property capital/rental values being reduced due to energy efficiency improvements. (Original Action: To develop a technical paper with list of scenarios where property capital or rental values may be reduced due to installation of energy efficiency improvements (e.g. where internal insulation reduces square floor area below certain level).)	Tom Younespour (BPF)	RICS, Richard Jones			The potential issue of reduced property capital/rental values has been flagged with RICs and will be taken forward with the Residential Evaluation Committee. TY to report back to working group the consideration of the Committee.
2	To check what the available grants from Local Authorities or other public bodies are, whether they are taxable and if they are available to landlords under LESA.	DECC	-	25 th March	Open	HMRC website states energy efficiency grants are tax free. Follow up to check this with HMRC. LESA is not available to landlords where energy efficiency measures have been paid for with grants.
3	To produce a paper outlining how the links/overlaps/precedence between the PRS regulations and other existing regulations such as health and safety and HHSRS might work, particularly focusing on Excess Cold under the HHSRS regulations.	DECC/DCLG	Peter Smith, Bob Mayho	8th April	Closed	Paper discussed at meeting on 15 April and recommendation put forward by group included in recommendations paper.
4	To produce a paper proposing how HMO's may be taken into account in the PRS regulations and a list of HMO's to be within scope of the regulations. The paper should take into account bedsits, student accommodation, joint tenants and how the Green Deal handles HMOs.	DECC/DCLG	Bob Mayho/CIEH rep	8th April	Closed	Papers discussed at meeting on 15 April and recommendation put forward by group and included in recommendations papers. Also follow on action raised around use of EPCs

Action Number	Action	Lead/Owner *	Contributors	Report back date	Status	Comments
5	To map out the end to end process of a tenant request for energy efficiency improvements including landlord response and tribunal proceedings to include timescales and ancillary costs (e.g. fire certificates or gas safety certificates) both in and out of scope of Green Deal. This should also take into account wording for PRS regulations on finances for energy efficiency improvement installation not needing to be covered upfront by the landlord but that there may be other costs to be payable. Group members to send DECC examples where ancillary costs may occur.	DECC	All	8 th April	Ongoing	Paper circulated around group before 13 May meeting. Comments to be forwarded to DECC.
6	To discuss with internal communications team how to take forward the future need to raise awareness of PRS regulation rights and responsibilities to all relevant parties e.g. tenants and landlords. (note: this can also be discussed by the Green Deal private rented sector group at a later stage)	<u>DECC</u>	-	25 th March	Ongoing	Meeting set up internally at DECC to discuss.
7	To provide understanding of how the Green Deal works in relation to instances where subsequent tenants may use less energy and therefore may pay more in Green Deal paybacks than savings from energy bills.	DECC	-	25 th March	Closed.	Response provided in Green Deal Q&A document to be circulated to working group.
8	To provide understanding of how the process for ECO Post 2015 and PRS regulations will be linked together.	DECC	-	25 th March	Ongoing	DECC is trying to ensure the Impact Assessments for ECO2 and PRS Regulations are aligned however the Green Deal will still work for the PRS regulations without this.
9	To clarify whether a tenant in rent arrears would fail the Green Deal credit check.	<u>DECC</u>	-	25 th March	Closed	Response provided in Green Deal Q&A document to be circulated to working group.

Action Number	Action	Lead/Owner *	Contributors	Report back date	Status	Comments
10	To produce a general principle definition for reasonable and a revised list of examples of where it is reasonable for a landlord to refuse a request from a tenant to install energy efficiency improvements. This should include a request being refused where a new gas connection is not cost effective.	DECC	-	8 th April	Open	Updated list of reasonable refusal to be circulation around working group.
11	To clarify from a legal perspective whether some situations regarding private lets by RSLs should be included under the PRS regulations given that RSLs are generally out of scope.	DECC	BPF	28 th March	Closed	Private lets by RSLs can legally be included in the regulations but will require changes to the primary legislation. Response added to recommendations paper.
12	To produce a list of exemptions to the PRS regulations that are not already listed as exemptions. Group members to send DECC/BPF potential exemptions as they arise.	DECC	All	7th June		Group encouraged to send any new exemptions for consideration to DECC.
13	To clarify whether instances where agents act for tenants and where the bill payer is neither the landlord nor the tenant but a third party such as the student letting agent are covered by the regulations. NUS to also clarify details of these real world examples and why they are not covered by the regulations.	DECC	NUS	25 th March	Open	DECC to check with legal
14	To provide actual examples where installations may cause noise issues and be grounds on the basis of unreasonableness for a landlord to refuse a tenant request for energy efficiency improvements.	DECC	All	8 th April		Ongoing – no examples received to date. Group encouraged to send any examples for consideration to DECC.
	Group members to send DECC/BPF examples of where a tenant request could be refused due to noise issues.					

Action Number	Action	Lead/Owner *	Contributors	Report back date	Status	Comments
15	To provide a paper on the issue of sub metering in properties and how this may affect the implementation of the PRS regulations. This should include wording on how issues of non-domestic meters in domestic properties can be addressed.	Hannah Mummery - (Consumer Focus)	DECC			Paper discussed at 15 April meeting with follow on actions raisedunder 15 April meeting before recommendation can be put forward for recommendations paper.
16	To clarify how SAP rating calculations are determined and whether they include the operational costs of energy efficiency measures installed.	<u>DECC</u>	David Weatherall (EST)	25 th March	Open	Further action below.
17	To clarify the relevant comments made by the Minister during the proceedings of the Energy Act around Local Authorities covering the compliance costs for the PRS regulations. This should include clarifying views about this and the types of costs involved with Camden, Bournemouth and LGA.	DECC	-	8 th April		Comments have not been located to date, however DECC/BPF will continue to follow up.

^{*} If Action Leads/Owners need clarification as to their brief, please contact Alison Oliver who will liaise with the Chair.

Summary of outstanding Actions from 15April meeting

Action Number	Action	Lead/Owner*	Contributors	Report back date	Status	Comments
1	Check with Ofgem whether under the rules of maximum resale landlords can include Green Deal charges in the costs of energy and reasonable administration costs they pass on to tenants.	DECC		26 th April	Open	Awaiting response from Ofgem before answer can be added to Green Deal Q&A document and circulated to group. Provisional response that Green Deal charges cannot be passed to tenant on maximum resale rules. Would need clause in tenancy agreements for charges to be passed on. Further action raised.
2	Clarify the liability for Green Deal payments particularly in situations where the rules of maximum resale apply and the bill is in the landlord's name.	DECC		26 th April	Open	Awaiting response from Ofgem before answer can be added to Green Deal Q&A document and circulated to group.
3	Investigate whether a Green Deal charge can be included in the service charge for a block of flats if the Green Deal is attached to the communal meter.	DECC	David Cox	26 th April	Open	Ongoing internal discussion at DECC before answer can be added to Green Deal Q&A document and circulated to group. David Cox put forward proposal that properties requiring such joint consent should be made exempt from the regulations. Further action raised.
4	Speak to Gentoo solicitors about the issue of allowable charges and how Green Deal charges may be passed onto tenants, particularly the situation regarding allowable charges under the 1976 Rent Act.	DECC	Peter Smith	1 st May	Open	Awaiting response from Gentoo before answer can be added to Green Deal Q&A document and circulated to group.
5	Clarify how the Green Deal payments work with prepayment	<u>DECC</u>		7 th May	Open	Ongoing internal discussion at

	meters					DECC before answer can be added to Green Deal Q&A document and circulated to group. Green Deal Quick Guide on prepayment meters available on Government website.
6	Provide a table of information to clarify the definition of consumers under ECO/Green Deal and when people can receive ECO and Green Deal and how this may change if on a domestic or non-domestic energy supply/meter.	DECC		7 th May	Open	Ongoing internal discussion at DECC before answer can be added to Green Deal Q&A document and circulated to group. Provisional response that Green Deal is based on the definition of the person at the property and not the meter/tariff.
7	To provide DECC clarification on the specific issue that requires checking against the Ofgem guidance (relating to the availability of Green Deal/ECO where energy is supplied on a commercial tariff and/or through a non-domestic meter.)	David Cox		26 th April	Closed	
8	Investigate with CLG the current use of EPCs for HMOs and whether this causes any issues for the PRS Regulations.	DECC/DCLG		7 th May	Ongoing	Further action raised.
9	Circulate the outcome of the internal DECC discussion on the STBA Research to Working Group members	DECC		1 st May	Ongoing	Awaiting to be circulated
10	Circulate the research completed in Scotland about energy efficiency of pre 1919 properties.	Danielle Troop	DECC	26 th April	Open	
11	Provide information to the Working Group about the 9" research being carried out on the behalf of DECC.	DECC		1 st May	Ongoing	
12	Obtain information from Northern Ireland and the DECC Older Property Working Group about the use of EPCs pre 1919 properties.	Danielle Troop		7 th May	Open	
13	To produce a paper about how the accuracy of the EPC methodology including the magnitude of any inaccuracy, how many properties in Britain may be affected and timescales for any future changes to be made to the EPC methodology.	DECC		24 th May	Open	
14	Check the Energy Act 2011 debate proceedings for examples of tenancies that may be possible exemptions to	DECC/BPF	Dave Timms	8 th May	Closed	Proceedings circulated. Further action raised.

	the PRS Regulations that were assumed to be covered under clause 42 1 a) iii) that was inserted by Baroness Maddock.				
15	Send examples of real world situations where there will be a negative impact on the property value due to energy efficiency improvements.	All	8 th Ma	y Closed	Superceeded by Action 1 15 March
16	Produce a table to outline the key costs and benefits and sources of funding available to tenants/landlords for installing energy efficiency measures, for example, LESA, whether Local Authority grants are available tax free and any VAT charges that may be associated with measures installed outside of the Green Deal.	DECC	7 th Ma	y Open	Ongoing internal discussion at DECC before answer can be added to Green Deal Q&A document and circulated to group.

• If Action Leads/Owners need clarification as to their brief, please contact Alison Oliver who will liaise with the Chair

Summary of outstanding Actions from 13 May meeting

Action Number	Action	Lead/Owner*	Contributors	Report back date
1	Minutes from 15 April meeting to be revised based on the comments from Dave Timms and put on the Government website.	Alison Oliver		23 May 2013
2	Check whether redacted Green Deal Assessments can be made available to the working group to illustrate examples where energy use by subsequent tenants is lower than savings.	DECC		24 May 2013
3	Circulate revised definition of reasonable refusal of a tenant request by a tenant for comment by the group.	Alison Oliver		23 May 2013
4	Issue of Green Deal charge not being able to be passed on to tenant under maximum resale rules to be further discussed by Green Deal group. Action to be raised with Green Deal group.	<u>DP</u>		10 June 2013
5	Circulate the proposal on blocks of properties requiring joint consent for energy efficiency improvements to the group.	Alison Oliver		23 May 2013
6	Speak to the Building Regulations person at CLG to clarify whether SBEM and EPCs can be used for HMOs	Mark Malvisi		31 May 2013
7	Add exemptions from proceedings of Energy Act 2011 to recommendations paper.	Alison Oliver		24 May 2013
8	Provide information from Statistics team on what will be average measures installed under Green Deal under Golden Rule, what measures are likely to be Green Dealable and clarify whether people will only have to implement Green Dealable work	DECC		31 May 2013
9	Organise sub group to discuss 'no upfront costs' issue.	<u>DECC</u>		24 May 2013
10	Provide legal view on wording of 'no upfront costs' from Sub clause 4 of the Energy Act 2011	DECC		31 May 2013
11	Add examples and scenarios of whether energy efficiency measures should still be installed by landlord if the tenant making the reugest has moved out or is evicted.	DECC		31 May 2013
12	Forward any comments or points of concern regarding the recommendations paper to DECC	Group		3 June 2013

13	Circulate topics and possible dates for sub group meetings on unresolved issues	DECC	24 May 2013
14	Produce a paper on start dates based on non domestic paper and circulate to group	DECC	24 May 2013
15	Draw up proposal for additional meetings and schedule for future meetings	DECC	24 May 2013
16	Circulate additional information on SAP rating calculations (to that being collected for action 16 from 11 March meeting)	Marcia Poletti	31 May 2013

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