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

Date:

Monday 10th June 2013, 10.45am-1.15pm

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)

Chartered Institute of Environmental Health (CIEH) - Bob Mayho (BM)

Consumer Focus (CF) – Hannah Mummery (HM)

Country & Land Business Association (CLBA) – Danielle Troop (DT)

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

Electricity Safety Council (ESC) - Daniel Walker-Nolan (DWN)

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

UKGreenBuilding Council (UKGBC) - Richard Twinn (RT)

Apologies:

See Remainder of Membership List.

Welcome:

1.1 The Chair welcomed the attendees to the 5th 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.

Minutes and Actions from 13 May meeting:

- 1.2 The minutes from the meeting on 13 May -were discussed. Amendments were requested to the attendee list including changing the wording of the organisation for JD to read 'North West Tenants and Residents Assembly' and adding John Kolm-Murray from Islington Council to the list. It was agreed the changes would be made to the minutes and the minutes shared via the Government website.
- 1.3 The actions from the meeting on 13 May were reviewed. The action list attached to the minutes below contains updated progress against each action.
- 1.4 In relation to action 6 from the 13 May meeting, DTi informed that Section C2 under SBEM covers the assessment of shared facilities in a property such as kitchen and bathroom. SBEM is currently used for University accommodation and the BRE suggested that it could be applied to HMOs as it is more suited to premises with multiple amenities. Group members agreed that it would be useful to have examples and information on the use of SBEM for HMOs. DC offered that NLA members could provide examples if the cost issue was addressed. NJ highlighted the smallest student accommodation houses 50/60 people and so would not be a reflective example of an HMO.
- 1.5 It was highlighted that many HMOs are not covered by the Energy Act as they do not have EPCs for rental purposes, but do for sale. MP clarified that the working group could recommend that HMOs should be covered by the PRS legislation, but recognised they are not currently covered by the powers in the 2011 Energy Act. DTi added that evidence is needed to show that in practice HMOs, in particular bedsits, can be covered by the regulations. DT queried how HMOs can be legally included in the legislation. MP clarified that currently HMOs could only be included where there is an EPC, however there may still be an issue regarding the tenancy type.
- 1.6 Regarding Action 11 from the 13 May meeting, DT queried whether property improvements need to be signed off by both the tenant and landlord under the Green Deal. It was suggested for ECO funded work the tenant needs to sign the Green Deal. It was clarified that if a Green Deal plan has started it is still possible to pull out of the contract within 14 days due to protections under the CCA. DP asked how enforcement would occur in situations where a legally binding agreement is in place and the tenant does not let the installation happen. DT stated that having a Green Deal plan in place at a property when letting the property could cause longer void periods and difficulties finding a new tenant. It was agreed this Green Deal issues would be better considered by the PRS group chaired by DP rather than this group.

Workstream 4

1.7 SG presented the RLA paper on regulation start dates that had been circulated before the meeting. RLAs view is that using a hard start date for the regulations would be too expensive and put too much pressure on

- tenants. It was also noted that in their paper paragraph 2 on page 4 should read 'We do not want allegations of retaliatory eviction.'
- 1.8 DC presented the NLA paper on regulation start dates that had also been circulated before the meeting. NLA are in agreement with RLA's views on start dates and so have put forward at alterative to the views in the DECC paper. NLA suggested that the implementation of the Tenant Deposit Protection (TDP) scheme is a good model to follow and suggested a similar approach for the minimum standards regulations. This approach favours a soft start where the regulations would affect new tenancies from 2018 but would not apply when fixed term tenancies end and are renewed. DC added that assured, corporate tenancies and those under the Rent Act would need to be dealt with separately. NLA do not favour a 'back stop date' for enforcement unless necessary and a date of 2021 would be preferred. The paper outlines why this method is seen as appropriate. DC stated that in particular, because the Green Deal has been implemented later than planned, NLA have the view that there is less time for the PRS to show self-regulation before the regulations are enforced.
- 1.9 MP presented the DECC on regulation start dates that had been circulated before the meeting. DECC recommend a hard start date because it reduces complexity for people to understand who has to comply with the regulations. An alternative would be to have a soft start dates but to have a 'back stop date' a couple of years after the regulations come into force. MP clarified that the paper was based on ideas from the non-domestic side and so the concept of leases probably has more relevance for the non-domestic sector where the leases are longer.
- 1.10 DTi expressed that a soft start was preferable with a hard back stop date. This is due to a concern that landlords will not act on the regulations until the last minute and so may then have to evict tenants to do the work. A soft start would protect tenants from this. A 'hard' back stop date two years after the introduction of a soft start is his preferred option. Some properties will not have a frequent turnover time and so these will need to be covered by a back stop date. DTi added that it is better not to have to enforce the regulations in situation when the tenant is in situ, such as renewals. The group agreed that further discussion was required around tenancy renewals.
- 1.11 MP clarified that the power does not exist to make properties without an EPC comply with the regulations. DC stated this is the reason NLA propose using a soft start date as properties will only have an EPC when the tenancy changes. DTi questioned whether the group needed to consider how the regulations would be affected if EPCs were required for all properties. DC stated the regulations cannot be based on a future EPC change, however, MP highlighted the group could still make a recommendation that the EPC procedure is changed. MP added there are no current plans to make changes to the building regulations.
- 1.12 A soft start date of 2018 was proposed with a 'back stop date' two years later to capture all other properties (although recognising this would not

include properties without an EPC). A soft start was agreed but no agreement was reached on the actual dates for implementation, nor for the implementation of a back-stop date.

- 1.13 TY questioned whether the regulations could be enforced where someone voluntarily gets an EPC for a property for a reason other than selling or renting out the property. HM queried whether figures are available for how many tenancies are turned over but do not go through an agency. There is a concern that these properties may not get an EPC. The question was raised whether compliance statistics are available for how many people complied with the introduction of the TDP scheme. SG highlighted that with the TDP scheme the landlord would be taking a huge risk by not taking a deposit and so compliance would be higher.
- 1.14 The date for the introduction of the tenant's right to request improvements was discussed. DTi suggested as a tenant's request is voluntary this could be introduced immediately. JH agreed as there should not be a surge in requests although she acknowledged the Green Deal would have to be fully operational before the regulations could be introduced. DC informed that landlords would like time to self-regulate and any date before 2016 would remove this opportunity. DT stated landlords would rather carry out improvements through asset management plans rather than having to implement improvements early. The group did not come to consensus so the recommendation will be put forward that some stakeholders are keen to implement tenant's rights by 2014 but others not until 2016 at the earliest.
- 1.15 There was a discussion around implementation dates for minimum standards. The group agreed the regulations should be implemented for new tenancies, however, it was questioned whether existing tenancies and renewals should be part of a soft start. DT questioned the practicalities of including renewals in a soft start and whether landlords could reclassify a new tenancy as a renewal. DC confirmed this could not happen. The use of a back stop date when the regulations would apply to all properties was agreed in principle for properties with an EPC.
- 1.16 It was discussed that the English Housing Survey indicates the average tenancy length is 21 months and so with a soft start date of 2018 most properties will be impacted by the regulations by 2021. HM raised that most tenants stay in properties due to economic circumstances so there is a need to protect tenants, who are often vulnerable, from the regulations coming into force on renewals. RT claims that including renewals as part of the soft start would raise the opportunity for landlords and tenants to have a conversation about doing works
- 1.17 DC raised that under an Assured Shorthold tenancy, tenants only have to give one month's notice for a periodic tenancy and for a fixed term tenancy no notice is required. A Green Deal plan takes longer than one month to implement and so this may be an issue. HM informed this would also be the case for tenants on periodic tenancies. HM added the practicalities of getting

- a Green Deal in these timescales and situations would need to be understood. MP asked whether a sub group should be set up to continue discussion on these points about renewals. This was agreed.
- 1.18 Other points raised around minimum standards include the preference for a September rather than April start for a hard start date as this would better fit with university tenancy timescales. DC asked for a back stop date of 2023. DTi requested a back stop timescales of two years after a soft start (2020 for a soft start of 2018) if renewals were not included in the soft start. As 18% of tenancies are longer than 5 years. DT put forward a suggestion for a back stop date of 2025.
- 1.19 A trajectory for the minimum standard regulations was discussed. MP outlined that for the non-domestic sector dates had been proposed of an 'E' rating in 2018, 'D' rating in 2025 and 'C' rating in 2030 but the dates and rating bands had not been agreed. It was discussed that the EPC ratings are automatically tightened up marginally over time and so the minimum standard for the regulations will increase automatically without the need for a higher banding. TY highlighted that an understanding of the future carbon targets is required to put any agreement on trajectory dates for the regulations. MP highlighted that the carbon target is an 80% reduction by 2050. DT queried whether information is available on how the EPC ratings feed into the carbon targets. TY suggested a route map is needed to address this and confirmed embodied emissions are included in the carbon targets.
- 1.20 DTi informed that the Climate Change Committee has outlined the need to insulate 2.2million solid walls but this is not legally binding. DT asked that the route map is viewed before the trajectory dates are discussed. DC stated that NLA would not support a minimum standard for PRS regulations of 'D' or 'C' until other sectors had increased properties to a minimum standard of 'E' and ECO funding for PRS was guaranteed. RT suggested the working group is here to discuss PRS only; however a recommendation could be made by the group for an equivalent standard for the owner occupier sector. MRC raised the concern that if the trajectory is set too steep then landlords may leave the sector. SG raised the view that whilst the need to encourage property improvements is understood it is also important to ensure the growth of the PRS is not limited. The group agreed a recommendation for a trajectory in principle but that the dates needed further discussion. It was agreed a sub group would be set up to discuss trajectories further.

Discussion on Sub Groups on EPCs and Costs:

1.21 MP informed the sub group on EPCs had met on 7 June. The group have decided to meet again in July to further discuss issues around pre 1919 properties and the technologies used to calculate SAP and possible inaccuracies. MRC informed the SAP calculations are based on a single property assessed in 1975 which is why the SAP defaults do not transfer well to other properties. MP informed the group that preliminary solid wall study findings will be available in June 2014.

- 1.22 DT raised concerns of the timings of the full research findings compared to the introduction of the regulations. MRC informed for the Green Deal a SAP methodology post 2012 must be used for accuracy. DT informed that CLA will be meeting BRE during week commencing 17 June to discuss the research further.
- 1.23 AO informed the costs sub group had met on 6 June. A set of recommendations and proposals had been discussed and agreed. A paper on costs will be produced to reflect the discussion of the meeting and this will be circulated around the group.
- 1.24 HM raised the issue of tenant betterment. AO confirmed under the Green Deal a property needs to be 'made good' following improvements however, this may not be covered for installations carried out under other financial mechanisms.

AOB:

- 1.25 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.
- 1.26 The Chair thanked attendees for their input and highlighted the date for the next meeting is 18 July 2013. DP noted the next meeting would focus on workstream 5 questions. Everyone agreed the extended times for the meetings were fine.

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

17/06/2013

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		Ongoing	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.
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. No comments received so far.

Action Number	Action	Lead/Owner *	Contributors	Report back date	Status	Comments
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	Closed.	Meeting held internally at DECC to discuss. Outcome of meeting is that a communications strategy and plan needs to be developed.
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.
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 circulated around working group. Awaiting comments.
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	Open	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

Action Number	Action	Lead/Owner *	Contributors	Report back date	Status	Comments
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. Group members to send DECC/BPF examples of where a tenant request could be refused due to noise issues.	DECC	All	8 th April	'	Ongoing – no examples received to date. Group encouraged to send any examples for consideration to DECC.
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 15 April 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	Add answer to Green Deal Q&A

	meters					document and circulate 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.
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	<u>DECC</u>		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	Part of EPC sub group papers to be circulated
11	Provide information to the Working Group about the 9" research being carried out on the behalf of DECC.	<u>DECC</u>		1 st May	Ongoing	Part of EPC sub group papers to be circulated
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	Part of EPC sub group papers to be circulated
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	Part of EPC sub group papers to be circulated
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 May	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	Status	Comments
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	Closed	
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	Open	
3	Circulate revised definition of reasonable refusal of a tenant request by a tenant for comment by the group.	Alison Oliver		23 May	Closed	
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	Open	Richard Jones has completed a paper on this.
5	Circulate the proposal on blocks of properties requiring joint consent for energy efficiency improvements to the group.	Alison Oliver		23 May	Closed	Email from David Cox circulated. Group invited to send comments to Alison Oliver
6	Speak to the Building Regulations person at CLG to clarify whether SBEM and EPCs can be used for HMOs	Mark Malvisi	Dave Timms	31 May	Open	
7	Add exemptions from proceedings of Energy Act 2011 to recommendations paper.	Alison Oliver		24 May	Open	This needs to be added to the recommendations paper.
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		Once the statistics are received they will be circulated.
9	Organise sub group to discuss 'no upfront costs' issue.	DECC		24 May	Closed	
10	Provide legal view on wording of 'no upfront costs' from Sub clause 4 of the Energy Act 2011. The original wording of the action above was questioned by	DECC		31 May	Closed	It was agreed this issue will be picked up by the sub group on costs – see action 9 above.

	group members, however it was agreed that all issues around 'no upfront costs' would be picked up by action 9 above and so this action could be closed.				
11	Add examples and scenarios of whether energy efficiency measures should still be installed by landlord if the tenant making the request has moved out or is evicted.	DECC	31 May	Open	
12	Forward any comments or points of concern regarding the recommendations paper to DECC	Group	3 June	Closed.	It was noted that none have been received. A further action has superseded this one.
13	Circulate topics and possible dates for sub group meetings on unresolved issues	DECC	24 May	Closed	
14	Produce a paper on start dates based on non domestic paper and circulate to group	DECC	24 May	Closed	
15	Draw up proposal for additional meetings and schedule for future meetings	DECC	24 May	Open	AO to confirm dates with TY and circulate.
16	Circulate additional information on SAP rating calculations (to that being collected for action 16 from 11 March meeting)	Marcia Poletti	31 May	Open	Paper is awaiting checking by CLG before circulation.

^{*} 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 10 June meeting

Action Number	Action	Lead/Owner*	Contributors	Report back date
1	Minutes from 13 May meeting to be revised based on the comments at 10 June meeting and put on the Government website.	Alison Oliver		17 June
2	Clarify whether Green Deal work needs to be signed off by both the tenant and landlord.	<u>DECC</u>		28 June
3	Clarify whether it is when the Green Deal finance is agreed or actually transferred that the Green Deal contract is legally binding.	DECC		28 June
4	Provide route maps for how EPC ratings contribute to future carbon targets.	<u>DECC</u>		28 June
5	Organise a sub group to look at start dates and trajectories.	<u>DECC</u>		28 June
6	Circulate EPC sub group paper to main working group	DECC		28 June
7	Revise costs sub group paper and circulate to main working group.	<u>DECC</u>		28 June
8	Circulate the recommendations paper to the working group.	<u>DECC</u>		28 June
9	Send comments and views on the recommendations paper to DECC	<u>Group</u>		28 June

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