

Report of Director of Resources and Housing

Report to Scrutiny Board

Date: 5th February 2020

Subject: Carbon reduction in the private rented sector

Are specific electoral wards affected? If yes, name(s) of ward(s): Beeston and Holbeck	Yes	X No
Has consultation been carried out?	<input type="checkbox"/> Yes	x No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	x No
Will the decision be open for call-in?	Yes	x No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number:	<input type="checkbox"/> Yes	x No

Summary

1. Main issues

- Reducing carbon emissions from the private rented sector is complex and difficult for the Council. Landlords will invest in basic maintenance and the provision of amenities but are unlikely to incorporate carbon reduction measures into their business and investment models.
- The sector has always had the lowest simple SAP rating compared to others. In Leeds the private rented sector has a simple SAP rating of 55 compared to 58 for owner/occupiers and 60 for the social sector. This is not a surprise given that over 50% of the sector is located in the hard to treat pre 1919 stock.
- The Government has introduced legislation to improve the thermal efficiency of property. It is now illegal for any property with a simple SAP rating below E to be rented out by a landlord and this increases to a rating of C by 2030. Initially this can be achieved by installing central heating which is usually gas which is more likely to increase carbon emissions, However as the standard increases landlords will require to install more retrofit measures such as significant insulation to be compliant.
- The Council does and will continue to try and reduce carbon emissions from the sector. This by such means of enforcement through the powers under the Housing Act 2004 as well as education and help for landlords working with the National Landlord Associations, and the provision of financial assistance such as in Cross Green and Holbeck which saw homes improving their thermal efficiency from a SAP rating of F/G to a B/C, increasing internal wall temperatures from as low as 12c to over 18c and saving an estimated 1450 tonnes of CO2 per annum. It has helped to reduce fuel costs by an estimated 25/30% or around £350/400 per annum.

- The Council has lobbied and will continue to lobby with partners for changes which will help address carbon emissions. The legislation is complex and difficult to enforce. By simplifying and ensuring consistency of the law and it will allow better enforcement as well as landlords being able to understand their legal requirements and duties.
- Since the loss of the Private Sector Renewal Grant in 2010 there has been no specific funding available to address issues in the private sector. To achieve large scale retrofit of homes there needs to be monies available to allow investment such as schemes in Cross Green and Holbeck as well as financial incentives for landlords to invest directly into their businesses and property.

2. Best Council Plan Implications (click [here](#) for the latest version of the Best Council Plan)

- The investment in the area has contributed to providing homes of the right quality, type and affordability in the right places and minimising homelessness
- The way of working in the area it contributes to keeping people safe from harm and promotes community respect and resilience.
- Contributes to tackling poverty helping everyone benefit from the economy to their full potential
- Helps to reduce health inequalities and supporting active lifestyles

3. Resource Implications

- There are no additional resource implications associated with this report

Recommendations

- a) Scrutiny Board are requested to note the contents of the report

1. Purpose of this report

- 1.1 The purpose of the report is to update the Scrutiny Board on carbon reduction in the private rented sector, and the Council approach to addressing carbon reduction as part of the Climate Emergency in order to achieve the targets set by Government to meet the 2050 target

2. Background information

- 2.1 The reduction of carbon in the private sector is a complex and difficult one to achieve. Being private the ability for the Council to make significant changes in the market is difficult as the priority for investment for most landlords is basic maintenance and amenities. This is what customers of this market expect and as such until carbon reduction is either made a legal requirement which is enforceable, a financial incentive to achieve in the market or it market driven there is little incentive for landlords to consider this as an investment option.
- 2.2 The Government has made it illegal for landlords to rent properties below an EPC rating of E. This level will be systematically increased over time to improve the quality of people's home but also help to reduce carbon emissions. By 2030 the level required to be able to rent is proposed to be an EPC Rating of C.
- 2.3 Initially for landlords to achieve the Rating of E most have undertaken works to heating systems rather than measure to reduce carbon via energy efficiency works. This is generally in the form of the installation of gas central heating which is cheaper and will actually increase carbon emissions. With targets to reduce carbon there is likely to be move in the sector to electricity as the means of heating, this will reduce carbon emissions but is currently a more expensive form of heating so could increase fuel poverty.
- 2.4 The private rented sector has generally been the poorest sector in terms of energy efficiency. The 2017 Private Sector Stock Condition Survey showed that the simple SAP rating for the sector was on average 55 compared to 58 for owner/occupiers and 60 for the social sector. However this is an average for the city and lowest SAP levels tend to be in the inner city areas with higher levels of low income families poorer housing stock conditions and increasing levels of the private rented sector. This marked increase in these markets is a challenge for the city if it is to reduce the level of carbon emissions in the sector as a whole.
- 2.5 It is not a surprise that the lowest SAP rating is in this sector given that over 50% of this market can be found within the pre1919 housing stock which is more difficult to address. It is mainly solid walled back to back or through terrace properties which are hard to insulate. Whilst most now have double glazed windows and some roof insulation, many have rooms in roof making this of limited effect. Being solid walled construction they have no cavities to fill so making them hard to insulate. This is demonstrated by the fact that nearly 70% of the sector has a simple EPC rating of D or E and 15% a rating of F or below.
- 2.6 Prior to 2010 the Private Sector Renewal Grant ring fenced money to addressing the improvements in the private sector. Whilst not a significant amount in terms of the overall needs of the city, it did provide money to address issues such as carbon reduction. This had allowed area based improvements in areas such as Beeston and Cross Green. Post 2010 there has been no monies directly ring fenced to this area of work making it more difficult to develop a programme of works, to help improve properties. To achieve the improvements in Cross Green and Holbeck the

Council has had to look trying to put packages of funding together, including significant amounts of its own Capital Programme to try and help fund such works.

3. Main issues

- 3.1 Whilst a difficult area for the Council to make a difference this does not mean that programmes of work and initiatives have not tried to address carbon reduction and improve the private sector stock in the city.
- 3.2 Working with the sector and its National Associations the Council has and continues to try and educate landlords. This has involved various landlord forums, provision of help and advice via mailshots information on the Council's website as well as working with the Associations to try and better engage with the sector as a whole. Part of the approach is to look at the development of a potential property passport that identifies the type of works required and efficiencies needed to ensure compliance with targets and also reduce carbon in the sector.
- 3.3 The Landlord Conference in November 2019 was themed around carbon reduction and what landlords can do to improve their properties. It included information on how to achieve this in a practical and systematic way and what they need to do given that providing central heating will not achieve a SAP rating of C by 2030 and more structural measures such as wall insulation will be required. This educational approach will continue to try and empower landlords to help them achieve the standards required by the increasing Government targets over the next few decades.
- 3.4 The Housing Act 2004 Part 1 places a duty to address hazards, one being excess cold. However to address this hazard landlords are more likely to install gas central heating which will increase not decrease carbon emissions. The Government has recently announced a review of Part 1 of the Act. This would be an opportunity for a review of this hazard to potential included carbon emissions and the overall cost to tenants as part of the assessment of the works to be provided rather than just removing excess cold by putting in a gas central heating system. This could then help with carbon targets but minimise the potential for increased fuel poverty. The review also needs to link legislation together so that achieving the minimum SAP Rating by a particular year could be included and therefore enforceable.
- 3.5 Since 2010 the Council has invested in improvements to private rented sector despite the loss of the Private Sector Renewal Grant as part of the overall settlement it receives from Government. The two main areas that have benefited have been Cross Green and Holbeck. These investments have been as part of an overall regeneration plan for the areas and not stand alone projects. As well as addressing energy efficiency they also improved to overall condition of the homes including new roofs, windows doors and boundary works.
- 3.6 The projects and their outcomes are detailed below:

Project	Objective(s)	Outcomes
Cross Green (£4.5m and £2.9m match funding from Green	The renovation of 180 homes to provide improved energy efficiency and external improvements such	261 homes were improved (81 more than the target). Of these 182 received full external improvements with full external wall insulation. 79 properties were provided with

<p>Deal (£0.77M) (Energy Company Obligation (ECO) (£0.18m), the Housing Revenue Account (£1.4m), and private sector contributions towards works (£0.6m))</p>	<p>as new roofs, windows, doors and rainwater goods.</p>	<p>full energy works to their roof and walls. Energy Efficiency works has improved the SAP ratings of all these properties from an average rating of F/G to B/C. Due to energy efficiency works, residents have seen a reduction in their average fuel bills by £400-500 per annum. This equates to a saving of c£100,000 per annum for all properties. Families and individuals are able to keep their homes warmer for longer and increase household disposable income. The University of Leeds undertook monitoring of energy usage before and after works. This demonstrated that the average property achieved a 34% reduction in energy usage. Where central heating replaced gas fires a 73% reduction in energy usage was recorded and allowed average internal temperatures to increase from 12 degrees to 18 degrees. Carbon emissions were reduced by 4.4 tonnes per annum in a back to back property and by 6.6 tonnes for a through terrace. This equates to</p>
<p>Holbeck Phase 1 group repair Budget £4.5m) Spend £4m (Budget - £1.5m LCC capital £1.5m Local Growth Fund £0.2 Energy Company Obligation, £0.5m private sector contributions, £0.85m HRA)</p>	<p>To target 180 within the Receptions to provide improved energy efficiency and external improvements such as new roofs windows, doors and rainwater goods</p>	<p>153 houses were improved and are now warmer in one of the most deprived communities in the country Energy Efficiency works has improved the SAP rating of all properties from an average of F/G to B/C Have increased the internal room temperatures from as low as 12c in certain cases to over 18c following the works. Increasing the internal house temperatures has the effect of reducing the risk associated with respiratory cardiovascular conditions from</p>

		<p>living in such conditions</p> <p>An estimated 1450 tonnes of CO2 saved per annum</p> <p>A potential reduction in fuel bills of around 25/30%. This equates to a saving of around £350/400per annum or £50k for the community overall.</p> <p>Won the Yorkshire and Humberside Large Energy Project of the Year in the Energy Efficiency Awards 2019</p>
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3.7 The photographs below show the improvements in the housing conditions as a result of the investment made in the group repair scheme





- 3.8 In addition to both these areas, as part of the Leeds Neighbourhood Approach in the Nowell's', it was possible to obtain monies for solid wall insulation to a number of properties. This was facilitated by the Council but delivered as part of the Better Homes contract by a private contractor.
- 3.9 The Council has supported and will continue to support the work of the Community Housing Led Sector. Organisations such as LATCH. Canopy and GIPSIL have undertaken considerable work to bring back empty homes and retrofitting extensive energy efficiency works as part of the renovation. The Council has supported this work by helping with financial assistance such as Right to Buy Funds to make project viable and allow works which otherwise would not be affordable such as solid wall insulation to be a viable option.
- 3.9 The Council along with others such as the Private Housing Officer Group (Core Cities) and the LGA, have lobbied Government and continue to lobby Government to provide financial incentives such as reinstatement of funding such as the Private Sector Renewal Grant, tax changes to make it a viable business option for landlords to undertake works, the linkage of public money such housing benefit to housing

conditions including the SAP rating and the make the legislation around this matter less complex and more enforceable. This would not just allow Council to enforce and improve standards but also make it more understandable for landlords and what they need to comply with their responsibilities.

- 3.10 When dealing with returning empty homes back into use, owners are encouraged to incorporate energy efficiency measures as part of the renovations. This is the best and most effective way to incorporate such works as they can be disruptive to any occupiers, it is cheaper and it will provide a home that is better value to rent out, longer term save costs on updating to meet future legislative changes and reduce maintenance costs as part of a landlords business plan. Equality loans are available for substantive works will would include the provision of thermal efficiency works.
- 3.11 One of the issues is the inner city in relation to the private rented sector. As part of the Council Locality Approach there are three main areas which the service is concentrating its resources. Holbeck with the Leeds Neighbourhood Approach and now Beeston and Harehills with the recently designated selective licensing schemes. All seen an increase in the sector with landlords hard to engage with in these areas. By proactively working in these areas it gives an opportunity to better engage as we will know who the majority of landlords are to work with to support to improve their homes and to help with the reduction of carbon from these in the future.
- 3.12 The Council is also partnering with organisations such as Leeds Acts! who have brought together organisations to consider how to improve energy efficiency and reduce carbon as a city and look at retrofit solutions on a large scale as part of the innovative thinking in the city.

4. Corporate considerations

4.1 Consultation and engagement

- 4.1.1 Consultation has occurred with all stakeholders and continues to occur based on the initiatives undertaken to address carbon reduction

4.2 Equality and diversity / cohesion and integration

- 4.2.1 A full Equality, Diversity, Cohesion and Integration Assessment for all the initiatives has been undertaken on an individual activity by activity basis.

4.3 Council policies and best council plan

- 4.3.1 The initiatives contributed to the compassionate city agenda, improving housing and helping to improve communities.

Climate Emergency

- 4.3.2 The initiatives above have and will help with issues affecting the climate:
- Better quality homes and standards will help to reduce energy consumption
 - Empty homes in the area have been and will be targeted to reduce the numbers in the area but also to contribute to an overall net reduction in the city preventing the need for new build and in many cases reducing the carbon footprint these create compared to renovating the existing stock.

- Education of both tenants and landlords to help reduce waste and improve recycling in the area
- Better engagement with landlords to improve education specifically around the changing energy legislation requirements which affect the sector
- By investing in improved and more energy efficient homes via the capital investment has helped to reduce energy consumption and reduce carbon emissions.

4.4 Resources and value for money

- 4.4.1 All initiatives have been or will have to be considered in relation to the resources available and value that they have or will give.
- 4.4.2 Currently all initiatives have been assessed against this criteria as part of any decision making process.

4.5 Legal implications, access to information, and call-in

- 4.5.1 The report is eligible for call in
- 4.5.2 All initiatives have been subject to reports detailing any legal implications.

4.6 Risk management

- 4.6.1 All initiatives have their own risk management in place

5. Conclusion

- 5.1 Addressing carbon reduction in the private rented sector is a complex and difficult for the Council to achieve. Landlords priorities for investment tends to be basic repairs and the provision of amenities not carbon reduction measures.
- 5.2 The sector is found mainly in the pre1919 stock which is hard to tackle and costly due to its solid wall construction. This means that the sector has and continues to have the lowest average simple SAP rating at 55 of all sectors in the city. However lower SAP ratings can be found in the lower rental markets of the inner city which have also seen an increase in the level of the sector in general in these areas.
- 5.3 The Council has and continues to address the issue of carbon reduction via help and education of landlords including the recent Landlord Conference, the investment ion Cross Green and Holbeck, working in partners in the Community Housing sector to improve properties and empty homes. and
- 5.4 The Council has worked with others to try and lobby Government for changes in the legislation and policies, including financial incentives to help landlords address carbon reduction in their properties and to consider the issue of carbon reduction in the review of Part 1 of the Housing Act 2004 around excess cold.

6. Recommendations

- 6.1 Scrutiny Board are requested to:
- 6.2 Note the content of this report

7. **Background documents**¹

None

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.