



## Report of Director of Resources and Housing

### Report to Scrutiny Board

Date: 25<sup>th</sup> March 2021

Subject: Carbon reduction in the private rented sector

Are specific electoral wards affected? If yes, name(s) of ward(s):	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 housing stock. We have also seen a rise in the level of the private rented sector in areas such as Armley, Beeston and Harehills over the last decade such that in some areas it is now the dominant tenure.
- The report to Scrutiny Board in February 2021 detailed the work that is on-going in the sector to address the issues of carbon reduction. This included:
  - a. Working with landlord associations to educate and support the sector
  - b. The use of the Housing Act 2004 to enforce standards
  - c. The requirement for all privately rented properties to be EPC E and above in order to be rented out
  - d. The investment in areas such as Cross Green and Holbeck to support the private sector and help reduce carbon emissions

- e. The lobbying of Government to make changes to legislation to improve the understanding of the legislation for the sector and improve the enforcement of standards
- The Council continues to try and reduce carbon emissions from the sector by education; the enforcement of standards; lobbying for changes to the complexity of the legislation and the need for long term investment into the sector to achieve the carbon reduction targets required if the changes required are to be made.
- Since the report to the board last year, the Council has been successful in a bid to the Get Building Fund for £2.65m for further works in Holbeck to provide an additional 150 homes with energy efficiency works and improvements. This continues the work undertaken previously in Cross Green and Holbeck. This work will help to reduce fuel bills by 25-30%; improve properties from a SAP rating of F to B/C and help to reduce carbon by 1400 tonnes per year.
- In January of this year, the Government closed a consultation on energy efficiency in the private rented sector. One of the considerations being proposed was that all private rented properties have an EPC rating of C by 2025 in order to be legally rented out. The Council has responded to the consultation and we are awaiting the Government's response to their consultation with interest.

## **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 contributes to keeping people safe from harm and promotes community respect and resilience.
- The investment contributes to tackling poverty helping everyone benefit from the economy to their full potential
- The investment helps to reduce health inequalities and support 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 rented 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 and limited as the priority for investment for most landlords is basic maintenance and the provision and maintenance of amenities which is what customers of this market expect. Until such a time that carbon reduction is either made a legal requirement (which is enforceable) or there is a financial incentive to achieve carbon reduction in the market or it is 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 homes 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. However recently Government consulted on a proposal to move this to 2025.
- 2.3 To achieve an EPC rating of E at the moment, simply installing a gas central heating system would be sufficient. This means that, whilst compliant, gas heating systems emit more carbon than other heating sources. However, to use electric heating systems would increase fuel costs to the resident resulting in an increase in fuel poverty in the sector. This makes the reduction in carbon emissions a real issue for the sector and its residents
- 2.4 To achieve the proposed EPC rating of C by 2030 (or 2025 if the recent consultation changes this time frame) will require considerable more structural works to the fabric of the building. This requires significant investment in and by the sector.
- 2.5 Over 50% of the sector is in the pre-1919 housing stock of the city. Most of this stock is of solid walled construction which makes it hard to treat, hard to improve thermal efficiency and reduce carbon emissions. Being of 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% having a rating of F or below. Based on the cost of the works undertaken in Cross Green and Holbeck then it will be around £20/30k per property in terms of the investment needed.
- 2.6 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 – the 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. The marked increase in the private rented sector in these area is a challenge for the city if it is to reduce the level of carbon emissions in the sector as a whole.
- 2.7 Prior to 2010 the Private Sector Renewal Grant ring-fenced money to address 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 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. As detailed in the February 2020 report to the board, to achieve the improvements in Cross Green and Holbeck the Council has had to look to put packages of funding together, including significant amounts of its own Capital Programme, to try and help fund such works. However funding tends to be irregular and there is no constant investment available to allow improvements

- 2.8 Part 1 of The Housing Act 2004 places a duty on the Council to address hazards, one being excess cold. Excess cold is always in the top three hazards found by officers as part of the inspections that are undertaken by the service. However to address this hazard, landlords are more likely to install gas central heating which will increase not decrease carbon emissions.

### **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 As with everything the Covid-19 pandemic has affected the ability of the sector to address this issue. However, as guidance and restrictions have allowed, work has continued. The service has continued to address requests for service and has undertaken inspections where we have been able to safely do so. This has allowed us to continue to address hazards - such as excess cold - and help to improve the standards of people's homes.
- 3.3 Working with the sector and its national associations, the Council has and continues to try and educate landlords. This has involved various landlord forums; the provision of help and advice via mailshots and 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 the efficiencies needed to ensure compliance with targets and also reduce carbon in the sector.
- 3.4 As part of the educational approach, it is intended to use the opportunity that Selective Licensing has given us in both Beeston and Harehills to work better with landlords in general and to use the opportunity to help landlords understand their responsibilities, educate them as to the future changes they will need to make and if appropriate enforce standards.
- 3.5 The Government has recently started a review of Part 1 of the Housing Act 2004. This is an opportunity to include carbon emissions and to take into consideration the overall cost to tenants as part of the assessment of the works required 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 could therefore be enforceable. Unfortunately, as with legislation affecting the sector, there is a disconnect between different Acts which makes it difficult for landlords to understand their responsibilities and for Councils to enforce.
- 3.6 Since 2010, despite the loss of the Private Sector Renewal Grant, the Council has invested in making improvements to the private rented sector as part of the overall settlement it receives from Government. The two main areas that have benefitted have been Cross Green and Holbeck. The report to the board in 2020 detailed the

outcome of that investment with 25-30% reduction in fuel bills; improvements in homes to an EPC B or C and a reduction in carbon of around 1400 tonnes of carbon per annum.

- 3.7 In September 2020 the Council was successful with bids for the Government's Get Building Fund. This has provided £2.65m towards a further improvement of 100 homes in Holbeck. By adding to the monies we have been able to provide a fund of up to £3.9m to improve a total of around 150 homes. Improvements will include new roofs; windows; doors and external wall insulation as per previous schemes. This needs to be completed by March 2022 as part of the funding agreement.
- 3.8 In addition the Government has provided Green Home Grants to support the improvement of energy efficiency across all tenures. This provided up to a maximum of £10k worth of work to reduce energy consumption with the Government contributing a maximum of 66% up to a maximum spend of £10k.
- 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 projects viable and to allow works which otherwise would not have been affordable such as solid wall insulation to be a viable option.
- 3.9 The Council has continued to lobby the Government for changes as well as other bodies, such as the Private Housing Officer Group (Core Cities) and the LGA, to provide financial incentives such as the 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 making the legislation around this matter less complex and more enforceable. This would not just allow Councils to enforce and improve standards but also make it more understandable for landlords and what they need to do to comply with their responsibilities.
- 3.10 By working in a wider partnership with other local authorities we are also looking at best practice across the city. Recently a number of cities were pilots for MEES enforcement and we are currently discussing their experiences with them and to try and understand what benefits they have achieved and how we can learn from them in Leeds
- 3.11 Empty homes remain a priority for the service and the Council as part of the housing supply available within the city to provide quality accommodation for people. When dealing with returning empty homes back into use, owners are encouraged to incorporate energy efficiency measures as part of their renovations. This is the best and most effective way to incorporate such works as they can be disruptive to any future occupiers. It is also cheaper and will provide a home that is better value and more attractive to rent out and that , in the longer term saves costs on updating to meet future legislative changes and reduce maintenance costs as part of a landlords business plan.

## **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 contribute 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 city have been and will continue to be targeted to reduce the numbers in the area city 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
- 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 will help 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 pre-1919 housing 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 supporting and educating landlords; the new investment in Holbeck and working with partners in the Community Housing sector to improve properties and empty homes.
- 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. The current review of the guidance for hazards may give us an opportunity to try and influence this.

## **6. Recommendations**

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

## **7. Background documents<sup>1</sup>**

None

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<sup>1</sup> 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.