

Attitudes and perceptions of the Green Deal amongst private sector landlords in Rotherham

Summary Report

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April 2013

Acknowledgements

This evaluation was funded by Rotherham MBC and NHS Rotherham (Public Health). The authors are grateful for the contributions of Paul Benson, Catherine Homer and Jo Abbott. Particular thanks go to all the stakeholders and private landlords interviewed for this study who gave their time freely in contributing to the research.

The findings presented in the report are however entirely the responsibility of the research authors.

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Executive Summary

Background

Responsibility for improving energy efficiency levels in the private rented sector lies largely with private landlords. Regulatory changes under the Energy Act 2011 mean that from April 2016 landlords will not be able to refuse requests from their tenants for 'reasonable' energy efficiency improvements, and from April 2018 all privately rented domestic properties should be brought up to a minimum energy performance rating of band E. The recent introduction of the Green Deal and the Energy Company Obligation (ECO), which runs alongside the Green Deal, are designed to support the take-up of energy efficient home improvements and are now the main vehicles, other than self-finance, by which private landlords can improve the thermal efficiency of their properties.

Commissioned by Rotherham Metropolitan Borough Council (MBC) and NHS Rotherham (Public Health), this report explores the attitudes and perceptions of the Green Deal amongst private landlords. In commissioning this research Rotherham MBC and NHS Rotherham aim to better understand the potential of the Green Deal and ECO to improve energy efficiency levels within the private rented stock in Rotherham, and to identify any ways in which they might support and encourage take up amongst private landlords locally. It is hoped that by working in partnership with private landlords the benefits of Green Deal can be maximised and affordable energy and warmer, more comfortable homes can be achieved for private tenants.

Research overview

Interviews were conducted during summer 2012 with ten stakeholders including representatives from Rotherham MBC, NHS Rotherham, Barnsley MBC, local letting agents, a Yorkshire housing provider, voluntary and community sector organisations and elected members from Rotherham. Two groups of private landlords were interviewed. Interviews with ten 'general' landlords were conducted between July and December 2012. Later, in January 2013, a further ten Interviews were conducted with landlords whose properties had been improved under the Carbon Emissions Savings Programme (CESP) in the Ferham area of Rotherham.

Focus of the report

This report presents landlords' views on property improvement and energy efficiency more generally, and assesses the likelihood of take up of the Green Deal amongst this group. It provides valuable insight into the following issues:

- Landlords' awareness of the energy performance of their properties
- Responsibility for energy costs and heating the home
- Landlords' attitudes towards property improvement
- Landlords' experiences of the CESP in Ferham

- Landlords' attitudes towards further energy efficiency improvements
- Landlords' perceptions of the Green Deal and ECO and their views on how Rotherham MBC can support take up of the Green Deal.

Key findings

Landlords' awareness of the Landlords' awareness of the energy performance of their properties

- most landlords (seven out of ten) operating outside of the CESP area knew and understood the Energy Performance (EP) ratings for their properties
- the opposite was true of landlords operating in the CESP area where six out of ten were completely unaware of the EP ratings of their properties
- the majority of landlords interviewed understood the EP ratings provided by Energy Performance Certificates (EPCs) but struggled to understand the other information provided, such as the Energy Impact Rating
- most landlords had commissioned an EPC in recent times in order to comply with legislation, yet a sizeable proportion remained unaware of the results
- the majority of landlords, even those who were aware of how their properties performed, regarded EPCs simply as bureaucracy
- landlords felt strongly that EPCs were not important to tenants who they felt were more concerned about the location, the rent charged and the reputation of the landlord
- some landlords felt that EPCs could be misleading due to the belief that some properties (particularly period properties), due to their age and nature, cannot exceed certain ratings.

Energy costs and heating the home: who is responsible?

- energy costs and the cost of heating the home were viewed by almost all landlords as the sole concern and responsibility of the tenant
- none of the landlords interviewed see it as their place to issue energy efficiency advice to their tenants but will make suggestions if tenants complain about high heating costs or being cold
- some landlords attribute high heating costs and cold homes to the behaviour of tenants, who, in their opinions often overheat their homes and wear insufficient clothes.

Landlords' attitudes towards property improvement

- over half of the landlords we spoke to make fairly regular improvements to their properties but tend to conflate general improvements and energy efficiency improvements and confuse general maintenance tasks with property improvements
- many landlords have little understanding of specifically how to improve the energy performance of their properties which can result in them feeling that they have done all they can
- there is little interest amongst landlords in improving the energy performance of their properties for that reason alone
- the main drivers of property improvement are the need for maintenance or a general upgrade and the main aim of such improvements, aside from essential repairs, is to ensure that properties remain liveable, lettable and that good tenants remain happy

- landlords are most likely to fund improvements with multiple benefits such as replacement windows, which have both cosmetic and energy efficiency benefits
- the relative weakness of the local property and rental markets is a significant barrier to property improvement as landlords are concerned that their investment will not be reflected in property values or the rents they can command
- landlords are very receptive to the use of grant funding to make improvements to their properties
- tenants rarely give feedback to landlords on the condition of their properties and are unlikely to lobby them for improvements
- landlords who own 'hard to treat' properties tend to feel that there is little they can do to improve energy performance and some fear that insulation and replacement windows will exacerbate damp and condensation.

Landlords' experiences of the CESP in Ferham

- the main motivation for signing up to the scheme was the availability of free measures. However, there were often a number of factors influencing this decision and many hoped it would improve the condition of their properties and yield financial benefits for tenants
- the most common package of works received was a combination of solid wall insulation (SWI) and new boilers/central heating systems
- many respondents stated that cost had prevented them from making such improvements earlier and reiterated the point that investment in properties in Ferham would not be reflected in the value of the property or rent levels
- others felt that they had done everything they could to improve the EP of their properties but acknowledged that they had previously been unaware of some of the measures available, such as SWI
- all respondents felt that the scheme had either met or exceeded their expectations
- respondents identified the main benefits of the programme as being better conditions for tenants and lower running costs. Lower maintenance costs and greater demand for properties were also cited in a couple of cases
- although some had commissioned one, no respondents had actually received a revised EPC for properties improved under the CESP at the time of interview but most anticipated some moderate uplift to around a D rating.

Landlords' attitudes towards further energy efficiency improvements

- there was a lack of appetite amongst respondents to make any further energy efficiency improvements to their properties unless there was a significant incentive or legislative requirement to do so.
- there appeared to be two key reasons for this. First, the relative weakness of the local rental market, and second, a number of landlords struggled to see what further improvements could be made following the completion of the CESP works.

Landlords' perceptions of the Green Deal and ECO

- the majority of respondents expressed reservations about taking out loan finance to fund any property improvements including those relating to energy efficiency
- this attitude extended to the Green Deal and landlords' reluctance to engage with the initiative remained unchanged when they were made aware that tenants would be responsible for repayments

- the majority of respondents felt concerned that they would be responsible for making repayments on the loan during void periods or if tenants defaulted
- respondents expressed many reservations about the Green Deal and could identify few benefits or 'selling points' for themselves and their tenants
- the key reservations raised by respondents included:
 - concerns that having a Green Deal loan attached to the property would deter prospective tenants or buyers if the property was to be sold on
 - concern that the benefits for tenants would be confined to warmer homes and that most would not witness energy bill savings during their tenancies
 - any savings would be negated by continued energy price rises
- respondents believe there to be a 'ceiling' on the rents that can be achieved in the borough that property improvements have little impact upon. Landlords would therefore prioritise cosmetic improvements over and above energy efficiency improvements to give their properties 'the edge'
- landlords that had participated in the CESP tended to feel that there would be few measures available under the Green Deal that they hadn't be offered under the CESP and therefore felt it was irrelevant to them
- the vast majority of respondents were positively disposed to participating in ECO or other grant funded property improvement schemes.

Stakeholder Views

- half of the stakeholders interviewed highlighted the problem of a lack of awareness about energy efficiency amongst the population generally. Problems of poor thermal inefficiency were most acute at the bottom end of the private rented market and affected vulnerable groups of private rented tenants most
- the landscape of energy efficiency support and advice is confusing and messages relating to keeping warm and energy efficiency are often conflicting and leaves people, particularly the old and vulnerable, unsure as to what they are supposed to do for the best to improve their home
- all stakeholders felt that private tenants are extremely unlikely to request energy efficiency improvements from their landlords
- the main concern expressed by stakeholders was that private tenants particularly are unlikely to see any financial benefits from the scheme because of the typical short length of their tenancies, although it was acknowledged that they would benefit from warmer homes
- having a loan attached to a privately rented property was viewed as a disincentive likely to make a property less attractive to prospective tenants who will be liable for future loan repayments. The loan basis of the Green Deal was also regarded as a big disincentive for older groups
- a number of stakeholders could see a role for the Green Deal for certain groups of owner occupiers rather than private tenants and acknowledged that if properties did not qualify for ECO, then the Green Deal is now the only option for addressing the efficiency of properties that are expensive to heat
- stakeholders felt that the promotion and delivery of the Green Deal needed to be undertaken by trusted organisations. Many felt that the council and its partners were best placed to undertake this role.

What can Rotherham MBC do to support take up of the Green Deal amongst landlords?

Respondents made a number of constructive suggestions regarding how the local authority might encourage take up amongst landlords, including:

- **providing more detailed information:** those respondents who had not already dismissed the Green Deal would be keen to access more detailed information about the scheme, particularly the financial and regulatory aspects of it. Landlords would welcome more engagement with Rotherham MBC in relation to the issue of energy efficiency
- **Green Deal assessments:** the majority of respondents would consider having a Green Deal assessment of their properties carried out. Those respondents who commented on this issue were unanimous in the opinion that Rotherham MBC would be the most appropriate (and trusted) agency to undertake these assessments
- **Mediating the commercial nature of the Green Deal:** a number of respondents lamented the commercial nature of the Green Deal and this emerged as a significant barrier deterring landlords from engaging with it. There may therefore be a role for Rotherham MBC and local authorities in general in mediating this commercial image
- **Rotherham MBC as Green Deal provider:** several landlords suggested that they may feel more reassured regarding the Green Deal if Rotherham MBC were to establish themselves as either a provider or delivery partner. Others felt this may undermine competition, choice and value for money for those taking out the Green Deal and as such would prefer to select a contractor from an approved list
- **Incentives:** the research evidence suggests that it may be possible to incentivise landlords to undertake energy efficiency improvements by brokering further grant funding which may be used to complement the Green Deal.

Conclusions and issues for implementation

The report concludes with consideration of issues likely to affect the implementation of Green Deal. To help landlords overcome the barriers identified in the report, Rotherham MBC will need to:

- create incentives for landlords to undertake energy efficiency improvements
- promote and target relevant information to inform landlords to help them take action on energy efficiency
- raise awareness of the benefits of improved energy efficiency amongst both landlords and tenants.