

Requiring Energy Performance Certificates (EPCs) for houses in multiple occupation (HMOs)

Impact Assessment

Department for Communities and Local Government
Eland House
Bressenden Place
London
SW1E 5DU
Telephone: 0303 444 0000
Website: www.communities.gov.uk

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Tel: 030 0123 1124
Fax: 030 0123 1125

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Summary: Intervention & Options

Department /Agency: Communities and Local Government	Title: Impact Assessment: Requiring Energy Performance Certificates (EPCs) for Houses in Multiple Occupation (HMOs)	
Stage: Consultation	Version: 3	Date: 2 March 2010
Related Publications: Consultation Paper: Extending the scope of Energy Performance Certificates and Making Better Use of Energy Performance Data		

Available to view or download at:

<http://www.communities.gov.uk>

Contact for enquiries: Eve Martin

Telephone: 0303 444 2704

What is the problem under consideration? Why is government intervention necessary?

The market can fail to deliver sufficient investment in energy saving measures for several reasons including that the external costs of CO₂ emissions from buildings are not paid for by those who own or occupy buildings., there are often split incentives in that landlords own and maintain buildings but are not responsible for paying the fuel bills and so often do not have a direct incentive to reduce fuel costs and some landlords and tenants may be unaware of many of the energy efficiency measures available and what the cost-effective improvements that could be made to a property are.

Energy efficiency measures are not being implemented as quickly and widely as necessary in order to reduce carbon in line with targets in the [Climate Change Act](#).

What are the policy objectives and the intended effects?

The policy objective is to make it mandatory for owners of HMOs to make EPCs available when renting out rooms in HMOs to prospective tenants.

The extension of EPCs to HMOs is being proposed because it will improve awareness of energy efficiency, giving tenants and landlords more information about the energy performance of the property. If recommendations in the EPC are taken up this will lead to lower utility bills for tenants and a reduction in CO₂ emissions. It will also bring HMOs in line with rented self-contained dwellings for which an EPC is already required.

What policy options have been considered? Please justify any preferred option.

1. do nothing - maintain the current regulations without requiring EPCs when rooms in an HMO are rented out;
2. require an EPC for HMOs that have been licensed by the local authority when rooms are rented out as part of the license conditions; and
3. require an EPC for an HMO when a room in the property is first rented out.

The preferred option is Option 3, as this would cover the maximum number of HMOs. There are approximately 56,000 HMOs covered by the mandatory licensing policy so Option 2 could potentially miss 250,000 HMOs. Option 1 is not preferred due to the potential benefits described above.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?

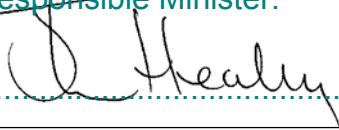
This policy will be reviewed 18 months after implementation. We propose to review the policy by interrogating the England and Wales domestic and non-domestic EPC Register to see how many EPCs have been lodged, this will require creating a specific field so HMOs could be identified, we would ensure this was done before any change in policy.

We are about to undertake research to see what the effect of introducing EPCs has been in terms of behaviour change and take-up of the recommendations in EPCs.

Ministerial Sign-off For Consultation Stage Impact Assessments:

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister:



..... Date: 26 February 2010

Summary: Analysis & Evidence

Policy Option: 2	Description: Require an EPC for HMOs that have been licensed by the local authority when rooms are rented out in the property
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COSTS	ANNUAL COSTS		<p>Description and scale of key monetised costs by 'main affected groups'</p> <p>The cost to the owner of the HMO of obtaining an EPC for a single property is approximately £75 including VAT.</p> <p>There are approximately 56,000 HMOs that have been licensed by local authorities.</p> <p>The below figure represents the total costs of obtaining EPCs once every ten years over a 30 year period.</p>
	One-off	Yrs	
	£		
	Average Annual Cost (excluding one-off)		
	£ 0.5 M	30	Total Cost (PV) £ 9.3 M
<p>Other key non-monetised costs by 'main affected groups'</p> <p>Every building is designed and operated differently and will require a different set of energy efficiency improvements. The cost of carrying out the energy efficiency improvement projects (capital costs) have not been included in the above monetised cost figures.</p>			

BENEFITS	ANNUAL BENEFITS		<p>Description and scale of key monetised benefits by 'main affected groups'</p> <p>If the increase in the number of EPCs leads to an increase in the implementation of energy efficiency measures then the monetised benefits of getting an EPC include:</p> <ol style="list-style-type: none"> 1. Reduced fuel bills (gas and electricity) 2. Reduction in carbon emissions <p>With the assumptions used in the analysis we estimate total PV benefits of £14.1 million include cost savings from fuel bills (£10.4m) and carbon reductions (£3.7m)</p> <p>It is important to note that these benefits are gross. The costs of implementing the energy efficiency measures that produce these benefits have not been estimated in the above costs or netted off the benefits total.</p>
	One-off	Yrs	
	£		
	Average Annual Benefit (excluding one-off)		
	£ 0.8 M	30	Total Benefit (PV) £ 14.1 M
<p>Other key non-monetised benefits by 'main affected groups'</p> <p>Non monetary benefits include improving awareness of energy efficiency, increasing transparency, providing information to the public about the energy performance of buildings, and if a property has a high energy efficiency rating, potentially lower turnover rates and higher rents for the landlord.</p>			

Key Assumptions/Sensitivities/Risks

Key assumptions: For the benefits we assume: that 20% of those who obtain an EPC implement some of the recommendations; the take-up of recommendations results in a fuel saving of 5%

For the net benefit range the % of those who obtain an EPC and implement some recommendations varies from 10% to 30%.

A risk is that landlords will obtain an EPC but they or their tenants do not implement any of the recommendations required to reduce fuel bills and save on carbon.

Price Base Year 2009	Time Period Years 30	Net Benefit Range (NPV) £ -2.2 M to 11.8 M	NET BENEFIT (NPV Best estimate) £ 4.8 M
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What is the geographic coverage of the policy/option?	England and Wales			
On what date will the policy be implemented?	TBA			
Which organisation(s) will enforce the policy?	LWMAs			
What is the total annual cost of enforcement for these organisations?	£			
Does enforcement comply with Hampton principles?				
Will implementation go beyond minimum EU requirements?	No			
What is the value of the proposed offsetting measure per year?	£ 0			
What is the value of changes in greenhouse gas emissions?	£ 0.1 M			
Will the proposal have a significant impact on competition?	Yes/No			
Annual cost (£-£) per organisation (excluding one-off)	Micro	Small	Medium	Large
Are any of these organisations exempt?	N/A	N/A	N/A	N/A

Impact on Admin Burdens Baseline (2005 Prices)		(Increase)	
Increase of £	Decrease of £	Net Impact	£

Key: **Annual costs and benefits: Constant Prices** **(Net) Present Value**

Summary: Analysis & Evidence

Policy Option: 3	Description: Require EPCs for all HMOs when rooms in the dwelling are rented out
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C O S T S	ANNUAL COSTS	Description and scale of key monetised costs by 'main affected groups'			
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;">One-off</td> <td style="text-align: center;">Yrs</td> </tr> <tr> <td style="text-align: center;">£</td> <td></td> </tr> </table>		One-off	Yrs	£
	One-off	Yrs			
	£				
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;">Average Annual Cost (excluding one-off)</td> <td></td> </tr> <tr> <td style="text-align: center;">£ 2.7 M</td> <td style="text-align: center;">30</td> </tr> </table>	Average Annual Cost (excluding one-off)		£ 2.7 M	30	<p>The cost to the owner of the HMO of obtaining an EPC for a single property is approximately £75 including VAT.</p> <p>There are between 236,000 – 379,000 HMOs so an average of 300,000 was used for the purposes of the calculations.</p> <p>The below figure represents the total costs of obtaining an EPC once every ten years over a 30 year period.</p>
Average Annual Cost (excluding one-off)					
£ 2.7 M	30				
Total Cost (PV)		£ 50 M			
<p>Other key non-monetised costs by 'main affected groups'</p> <p>Every building is designed and operated differently and will require a different set of energy efficiency improvements. The cost of carrying out the energy efficiency improvement projects (capital costs) have not included in the above monetised cost figures.</p>					

B E N E F I T S	ANNUAL BENEFITS	Description and scale of key monetised benefits by 'main affected groups'			
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;">One-off</td> <td style="text-align: center;">Yrs</td> </tr> <tr> <td style="text-align: center;">£</td> <td></td> </tr> </table>		One-off	Yrs	£
	One-off	Yrs			
	£				
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;">Average Annual Benefit (excluding one-off)</td> <td></td> </tr> <tr> <td style="text-align: center;">£ 4.1 M</td> <td style="text-align: center;">30</td> </tr> </table>	Average Annual Benefit (excluding one-off)		£ 4.1 M	30	<p>If the increase in the number of EPCs leads to an increase in the implementation of energy efficiency measures then the monetised benefits of getting an EPC include:</p> <ol style="list-style-type: none"> 1. Reduced fuel bills (gas and electricity) 2. Reduction in traded and non traded carbon <p>With the assumptions used in the analysis we estimate total benefits of £75.4 million including cost savings from fuel bills (£55.6m) and carbon reductions (£19.8m).</p> <p>It is important to note that these benefits are gross. The costs of implementing the energy efficiency measures that produce these benefits have not been estimated in the above costs or netted off the benefits total.</p>
Average Annual Benefit (excluding one-off)					
£ 4.1 M	30				
Total Benefit (PV)		£ 75.4 M			
<p>Other key non-monetised benefits by 'main affected groups'</p> <p>Non monetary benefits include: Improving awareness of energy efficiency; Increasing transparency and providing information to the public about the energy performance of buildings; if a property has a high energy efficiency rating, this could potentially create lower turnover rates and higher rents for the landlord</p>					

Key Assumptions/Sensitivities/Risks

For the benefits we assume: that 20% of those who obtain an EPC implement some of the recommendations; and the take-up of recommendations results in a fuel saving of 5%

For the net benefit range below the % of those who obtain an EPC and implement some recommendations varies from 10% to 30%.

A risk is that landlords will obtain an EPC but they or their tenants do not implement any of the recommendations required to reduce fuel bills and save on carbon.

Price Base Year 2009	Time Period Years 30	Net Benefit Range (NPV) £ -31 M to 63.4 M	NET BENEFIT (NPV Best estimate) £ 25 M
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What is the geographic coverage of the policy/option?	England and Wales			
On what date will the policy be implemented?	TBA			
Which organisation(s) will enforce the policy?	LWMAs			
What is the total annual cost of enforcement for these organisations?	£			
Does enforcement comply with Hampton principles?				
Will implementation go beyond minimum EU requirements?	No			
What is the value of the proposed offsetting measure per year?	£ 0			
What is the value of changes in greenhouse gas emissions?	£ 0.4 M			
Will the proposal have a significant impact on competition?	Yes/No			
Annual cost (£-£) per organisation (excluding one-off)	Micro	Small	Medium	Large
Are any of these organisations exempt?	N/A	N/A	N/A	N/A

Impact on Admin Burdens Baseline (2005 Prices)				(Increase)
Increase of £	Decrease of	£ 0	Net Impact	£

Key: **Annual costs and benefits: Constant Prices** **(Net) Present Value**

Rationale for Government Intervention

The [Climate Change Act](#) sets out our commitment to reduce overall carbon emissions by at least 80% by 2050. Buildings account for almost 50% of the UK's carbon emissions, and 75% of the housing stock in 2050 is already built. We set out in the [Heat and Energy Savings Strategy \(HESS\)](#) consultation document in February 2009 our approach and ambitious milestones for reducing carbon emissions from domestic properties and to increase the proportion of renewable heat sources:

- by 2015, all lofts and cavities to be insulated, and around 400,000 homes per year receiving a whole house package of measures;
- by 2020, for up to 7 million homes (and 1.8million homes per year) to have the offer of 'whole house' packages, and all homes to have smart meters;
- by 2030, for all homes and other buildings to have received a package that covers all the cost-effective measures available; and
- by 2050, for emissions from existing buildings to be as close to zero as possible.

To meet these challenging targets it is essential that action is taken to ensure that landlords and tenants are aware of the energy performance of the buildings they own or occupy and are given advice about how to reduce energy usage and thus reduce their carbon emissions.

The owners of HMOs are currently excluded from the requirement to make EPCs available to prospective tenants when they are renting out a room. Since 1 October 2008, an EPC has been required whenever a dwelling in the private or social rented sectors has been let to a new tenant and when it is sold. This requirement was introduced via secondary legislation¹ which implemented the EPBD; this captures HMOs where the property as a whole is either sold or rented out but not when individual rooms are rented out.

We would like to extend the requirement to produce an EPC when rooms are rented out in HMOs. Tenants who live in HMOs can be amongst the most vulnerable and financially restricted members of society and are also in those groups that could be most likely to be adversely affected by fuel poverty. It is therefore important to provide such groups with information about the energy efficiency of the buildings that they may be considering occupying.

If the recommendations in EPCs are acted upon by the landlord and/or tenants, it will have the dual effect of reducing fuel bills for tenants making them less susceptible to fuel poverty and also reducing carbon emissions from HMOs, helping us to meet our targets.

Definition of an HMO

We propose that the scheme should apply to all HMOs that are defined as HMOs under the Housing Act 2004² with the exception of the following 'a building which is converted entirely into self-contained flats if the conversion did not meet the standards of the 1991 Building Regulations and more than one-third of the flats are let on short-term tenancies'. Such buildings would not be covered by this proposal.

Under this revised definition, the following buildings would be affected by this proposal:

¹ SI 991/2007.

² <http://www.communities.gov.uk/housing/rentingandletting/privaterenting/housesmultiple/>

- an entire house or flat which is let to three or more tenants who form two or more households and who share a kitchen, bathroom or toilet;
- a house which has been converted entirely into bedsits or other non-self-contained accommodation and which is let to three or more tenants who form two or more households and who share kitchen, bathroom or toilet facilities;
- a converted house which contains one or more flats which are not wholly self contained (i.e. the flat does not contain within it a kitchen, bathroom and toilet) and which is occupied by three or more tenants who form two or more households;

In order to be an HMO the property must be used as the tenants' only or main residence and it should be used solely or mainly to house tenants. Properties let to students and migrant workers are treated as their only or main residence and the same will apply to properties which are used as domestic refuges.

Policy Objectives and Intended Effects

The strategic objective is to reduce carbon emissions from existing buildings and reduce the effects of climate change. The objective of this policy is to require EPCs for HMOs when a room is first rented out, thereby making information about the energy efficiency of an HMO available to both the owner and the prospective tenants considering living in them.

The extension of EPCs to HMOs is being proposed because it will:

- give prospective tenants information about the energy performance of the property;
- provide the landlord with information about the building's energy performance and how it could be made more efficient;
- help to improve awareness of energy efficiency and the contributions that buildings can make to reducing carbon emissions;
- lower utility bills for the tenant and a reduction in CO₂ emissions, if the recommendations are taken up; and
- bring HMOs in line with rented self-contained dwellings for which an EPC is already required.

Options Considered

1. do nothing - maintain the current regulations without requiring EPCs when rooms in an HMO are rented out;
2. require an EPC for HMOs that have been licensed by the local authority when rooms are rented out as part of the license conditions; and
3. require an EPC for a HMO when a room in the building is first rented out.

The preferred option is Option 3, as we want the policy to cover as many HMOs as possible, giving landlords and tenants the benefit of the information in an EPC. Option 2 was considered as it would be possible to make the requirement to have an EPC part of a mandatory licensing arrangement with a local authority. However, the mandatory licensing scheme only covers HMOs that are three or more stories high and have five or more people living in them; this would cover approximately 56,000 HMOs and could potentially miss 250,000 HMOs. Option 1 is not preferred due to the potential benefits described above and the necessity of encouraging people to reduce energy usage and cut carbon emissions in line with targets up to 2050.

Risks and Uncertainties

Cost of obtaining an EPC: The cost of an EPC is driven by market forces. This is a constantly changing figure. The costs used in this report reflect current market prices at the time of publishing the consultation.

Number of HMOs: The number of HMOs is not known precisely. The figures used in the report are the latest estimates at the time of publishing the consultation.

Costs/benefits of implementing the recommendations in EPCs:

Costs: It is difficult to calculate the costs and benefits to implementing the recommendations in the EPC report as it depends on many factors. The cost of implementing energy efficiency measures is not reflected in the cost calculations below. The cost calculations only take the cost of obtaining an EPC into account.

Benefits: EPCs are a relatively new requirement and as yet we do not have the evidence to suggest what percentage of those who obtain an EPC take up the recommendations in the report thus reducing fuel bills and carbon emissions. Due to this, we have made an assumption for the purposes of this consultation that 20% of HMO landlords take up some of the recommendations, this was an assumption made in the [Regulatory Impact Assessment](#) for the implementation of EPBD.

We have also made an assumption that those that take up the recommendations will benefit from a fuel saving of 5%. This is based on [a report for the Energy Savings Trust](#) which reviewed results from a survey of 1,900 households. The average annual electricity saving obtained across all 1,900 households for cooking, appliances and lighting use was 154kWh per dwelling, as a result of the provision of written reports.

It should be emphasized that there is a large amount of uncertainty in the benefit estimates and so they should be viewed with considerable caution. They are used for illustrative purposes only.

CLG is about to undertake research to see what the effect of introducing EPCs has been in terms of behaviour change and take-up of the recommendations in EPCs this will be completed by the end of 2010.

Risks

A risk is that landlords will obtain an EPC but they or their tenants do not implement any of the recommendations required to reduce fuel bills and save on carbon.

Estimate of Costs for Preferred and Alternative Options

OPTION 1

There are no additional costs for this option as it proposes to maintain the current Regulations without requiring EPCs when rooms in an HMO are rented out.

OPTION 2

As mentioned above there are approximately [56,000 HMOs](#) that will require an EPC under this policy option. The average cost to obtain an EPC for a single HMO property is approximately £75 including VAT³. This figure is an estimate and the actual cost will vary based on the size/complexity of the building. This figure includes the fee for lodgement on

³ The price of an EPC is set by the market, an online comparison of providers gives an average price of approximately £75 for a domestic EPC.

the England and Wales domestic and non-domestic EPC Register (£1.36) and other associated fees.

The discounted cost for an individual household over a 30 year period is estimated to be £170. There will be 3 inspections over the 30 year period. The following table gives the average annual cost and total costs (present value) in millions of pounds:

Number of HMOs	Average annual costs	Total costs (PV)
56,000	£0.5 M	£9.3 M

The analysis assumes that all those required to acquire EPCs do so.

OPTION 3

The average annual cost to obtain an EPC for a single HMO property is the same as in Option 2, approximately £75 including VAT and the fee for lodgement in the England and Wales domestic and non-domestic EPC Register (£1.15). The discounted cost for this household over a 30 year period will be £170. There will be 3 inspections over the 30 year period.

There are between [236,000 – 379,000 HMOs](#). For the purposes of the calculation it is assumed that there are 300,000 HMOs. The average annual cost for all these properties to obtain an EPC is £2.3 million. If we look at this over a 30 year period the discounted cost will be £41.5. The table below shows the average annual costs and total costs (present value) in millions of pounds for all 300,000 HMOs.

Number of HMOs	Average annual costs	Total costs (PV)
300,000	£2.7 M	£50 M

Monetised/Quantified Benefits

OPTION 1

There are no monetised benefits for this option as it proposes to maintain the current Regulations without requiring EPCs when rooms in an HMO are rented out.

OPTION 2

The assumptions for numbers of HMOs and the length of time for calculating the benefits are the same as for the cost calculation above. It has been assumed that 20% of the people who obtain an EPC implement some of the recommendations. As we do not have evidence of actual take-up of recommendations at the moment, for consistency, these percentage savings are the same assumptions that were made in the [2007 Regulatory Impact Assessment of the EPBD](#). Once these recommendations have been carried out it is assumed that a savings of 5% of fuel bills will be achieved. The following table shows the average annual benefits and total benefits for the 56,000 HMOs licensed by the local authority:

Number of HMOs	Average annual benefits	Total benefits
56,000	£0.8 M	£14.1 M

The total benefits above are in present value terms and include the gas and electricity savings (£10.4m) as well as the traded and non traded carbon savings (£3.7m). The analysis assumes that the average area of property is 100m² and on average 100m² is responsible for 24,000 kwh of energy use per year. Different areas will change the energy consumed by the property, the smaller the area the less energy consumed. The lifetime traded carbon savings is 45 thousand tons of CO₂ and the lifetime non traded carbon savings is 55 thousand tons of CO₂.

The traded carbon savings in 2020 is 16 thousand tons of CO₂ and the non traded carbon savings in 2020 is 20 thousand tons of CO₂⁴.

As we do not have evidence of actual take-up of recommendations at the moment these percentage savings are the same assumptions that were made in the 2007 Regulatory Impact Assessment of the EPBD.

The kWhs saved were converted to carbon equivalent saved by using the emissions factors from DECC's Greenhouse Gas Policy Evaluation and Appraisal⁵. The carbon equivalent savings are valued at the shadow price of carbon for gas and at the EU ETS allowance for electricity⁶.

All values were discounted over 30 years using the discount rate of 3.5%.

OPTION 3

The assumptions for numbers of HMOs and the length of time for calculating the benefits are the same as above. It has been assumed that 20% of the people who obtain an EPC implement some of the recommendations. Once these recommendations have been carried out it is assumed that a savings of 5% of fuel bills will be achieved. These are the savings assumed in the 2007 Regulatory Impact Assessment of the Energy Performance of Buildings Directive. The following table shows the average annual benefits and total benefits for all 300,000 HMOs:

Number of HMOs	Average annual benefits	Total benefits
300,000	£4.1 M	75.4 M

The total benefits above are in present value terms and include the gas and electricity savings (£55.6m) as well as the traded and non traded carbon savings (£19.8m). As above the analysis assumes that the average area of property is 100m² and on average 100m² is responsible for 24,000 Kwh of energy use per year. The lifetime traded carbon savings is 201 thousand tons of CO₂ and the lifetime non traded carbon savings is 246 thousand tons of CO₂. The traded carbon savings in 2020 is 73 thousand tons of CO₂ and the non traded carbon savings in 2020 is 90 thousand tons of CO₂.

As in Option 2, the analysis assumes that 36% of energy use is electricity and then gas and electricity prices are applied to the energy saved to derive the fuel bills savings. As we do not have evidence of actual take-up of recommendations at the moment these percentage savings are the same assumptions that were made in the 2007 Regulatory Impact Assessment of the EPBD.

The kWhs saved were converted to carbon equivalent saved by using the emissions factors from DECC's Greenhouse Gas Policy Evaluation and Appraisal⁷. The carbon equivalent savings are valued at the shadow price of carbon for gas and at the EU ETS allowance for electricity⁸.

All values were discounted over 30 years using the discount rate of 3.5%.

Sensitivity Analysis

There is a degree of risk and uncertainty attached to the central results. Changes in the values of certain key variables can make a considerable difference to the costs and benefits.

⁴ http://www.decc.gov.uk/en/content/cms/statistics/analysts_group/analysts_group.aspx - figures are correct at the time of writing.

⁵ http://www.decc.gov.uk/en/content/cms/statistics/analysts_group/analysts_group.aspx

⁶ http://www.decc.gov.uk/en/content/cms/statistics/analysts_group/analysts_group.aspx

⁷ http://www.decc.gov.uk/en/content/cms/statistics/analysts_group/analysts_group.aspx

⁸ http://www.decc.gov.uk/en/content/cms/statistics/analysts_group/analysts_group.aspx

1) Total (PV) Net Benefits £m with different assumed % of landlords that take up some of the recommendations

	10%	Central 20%	30%
Option 2 (56,000 HMOs)	-2.2 (7-9.3)	4.7 (14-9.3)	11.7 (21-9.3)
Option 3 (300,000 HMOs)	-13 (37-50)	25.4 (75-50)	63 (113-50)

The above are the net benefit ranges presented in the summary sheets.

2) Total (PV) Net Benefits £m with different assumed % fuel saving for those who take up the recommendations

	2%	Central 5%	8%
Option 2	-3.7 (5.6-9.3)	4.7 (14.1-9.3)	13.2 (22.5-9.3)
Option 3	- 19.8 (30.2-50)	25.4 (75.4-50)	70.7 (120.7-50)

It should be noted that in both of the above the net benefit calculations include the estimated benefits of implementing energy efficiency measures but not their costs. The net benefits would be lower once these costs have been accounted for.

Varying the area of the property will change the net benefit results. If the average area is assumed to range between 50-150m² the net benefit ranges from £-2.2 m to £11.8 million for option 2 and between -£13m to £63m under option 3.

Non monetised Costs and Benefits

OPTION 1

There are no costs and benefits for this option as it proposes to maintain the current Regulations without requiring EPCs when rooms in an HMO are rented out.

OPTION 2 & 3

Non monetary benefits include:

- Improving awareness of energy efficiency;
- Increasing transparency and providing information to the public about the energy performance of buildings, and;
- If a property has a high energy efficiency rating, this could potentially create lower turnover rates and higher rents for the landlord

The benefits above will apply to both Options 2 and 3.

The cost of carrying out energy efficiency improvement projects (capital costs) have not been included in the above monetised cost figures.

There could be both winners and losers among suppliers to the building industry since demand could fall for products with lower energy efficiency and rise for products with higher energy efficiency.

Consultation Process

This impact assessment accompanies a consultation paper; the consultation period runs between 2nd March 2010 and 25th May 2010, and is carried out in line with current best practice guidance. We are seeking views on this Impact Assessment and would invite respondents to submit any evidence that may be relevant to the consultation proposals and this Impact Assessment.

Enforcement and Compliance

Trading Standards Officers in local authorities are responsible for the enforcement and compliance regime. This responsibility will remain the same if EPCs are extended to HMOs when rooms are rented out. Letting a domestic property without producing an EPC will result in a £200 penalty.

Monitoring and Review

This policy will be reviewed 18 months after implementation. We propose to review the policy by using the England and Wales domestic and non-domestic EPC Register to see how many EPCs have been lodged, this will require creating a specific field so HMOs could be identified. We would ensure this was done before any change in policy. We are about to undertake research to see what the effect of introducing EPCs more generally has been in terms of behaviour change and take-up of the recommendations in EPCs, this research will be completed by the end of 2010.

Wider Impacts

Competition Assessment: Rolling out EPCs to HMOs when rooms are rented out will not produce any competition issues.

Small Firms Impact: The proposal will have a positive effect on the SME sector. Almost without exception, firms undertaking domestic energy assessments are sole or two or three practitioner concerns. Owners of HMOs will bear the cost of obtaining an EPC (approximately £75) and the certificate is valid for 10 years. Owners would also bear the initial costs of implementing any of the energy saving recommendations accompanying the certificate but these costs are likely to be recouped over time.

Legal Aid: The proposal does not have any Legal Aid implications

Environmental Impact: Just obtaining an EPC will not have a direct impact on the environment. However, if any of the recommendations in the report that comes as part of an EPC are adopted this would reduce carbon emissions and have a positive effect on the environment.

Health Impact: The proposal does not have any health implications.

Equalities and Social Impact: An Equalities Impact Assessment screening has been completed, covering race, age, health, disability and gender equality issues. HMOs can be among the worst performers in terms of energy efficiency and often house some of the most vulnerable members of society who are likely to suffer fuel poverty. Ensuring that the recommended energy efficiency measures were implemented would bring cost savings and improved home thermal comfort for those who most need it.

Human Rights: The proposal does not have any impact on human rights.

Rural Proofing: The proposals would have a minimal impact here as the vast majority of HMOs are in urban settings.

Specific Impact Tests: Checklist

Type of testing undertaken	<i>Results in Evidence Base?</i>	<i>Results annexed?</i>
Competition Assessment	Yes	No
Small Firms Impact Test	Yes	No
Legal Aid	Yes	No
Sustainable Development	Yes	No
Carbon Assessment	Yes	No
Other Environment	Yes	No
Health Impact Assessment	Yes	No
Race Equality	Yes	No
Disability Equality	Yes	No
Gender Equality	Yes	No
Human Rights	Yes	No
Rural Proofing	Yes	No

