



# RAISING STANDARDS IN THE PRIVATE RENTAL SECTOR:

A PATHWAY TO EQUITABLE AND EFFECTIVE  
RETROFIT

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**NATIONAL  
RETROFIT HUB**

In partnership with

Impact  
on **Urban  
Health**

# EXECUTIVE SUMMARY



Poor energy efficiency is causing hardship to millions of people in the private rented sector (PRS). Cold, inefficient, and under-ventilated homes cost households hundreds of pounds in wasted energy each year and create the right conditions for damp and mould that is causing serious health issues for tenants.

A range of factors contribute to the poor conditions in the PRS including our ageing housing stock, the lack of enforcement of existing standards, and the persistent imbalance between supply and demand. Limited rights and protections for tenants who request improvements to their homes further exacerbate the issue.

While government initiatives, such as the Renters' Rights Bill, aim to improve conditions, they are unlikely to drive meaningful change in the quality of the housing stock in the sector. Existing schemes designed to help tenants improve the comfort and energy efficiency of their homes remain underused, highlighting the need for more effective solutions.

To identify the most effective measures to accelerate the uptake of retrofit in the PRS, this research used innovative mixed methodologies to build a comprehensive picture of the sector: outlining the wider housing and policy context, identifying key actors, and developing landlord personas to better understand the impact and effectiveness of recommendations.

Through a series of stakeholder workshops, we engaged with tenant groups, landlord associations, local authorities and industry experts to

develop a holistic package of support. These proposals were then tested directly with landlords, ensuring their perspectives and challenges were reflected in the final recommendations.

The findings challenge the common narrative that increased regulation will drive landlords out of the market. Instead, we found that landlords tend to take a highly pragmatic approach, viewing their properties primarily as investments rather than as housing provision. And that while motivations for entering the sector vary, landlords appear unlikely to exit the market unless new regulations present a significant threat to their overall investment strategy.

With this in mind, our research suggests that policy design should not focus on preventing landlords from leaving the market but rather on achieving positive outcomes for tenants by enabling as much high-quality retrofit activity as possible.

## RECOMMENDATIONS

- 1. Minimum Energy Efficiency Standards must be increased without delay to an ambitious and achievable target**
- 2. Further investigation into the right package of support, incentives and finance options needed to encourage significant activity**
- 3. Tighten compliance and enforcement routes**

# INTRODUCTION



If we are to achieve a just transition to Net Zero that alleviates fuel poverty and improves health outcomes, it's vital that the Private Rented Sector (PRS) isn't left behind.

The PRS accounts for over one third of all housing stock in the UK, with over 4.5 million households renting privately.<sup>1</sup> Yet the sector faces urgent challenges:

- Over 1 in 3 of these households can't heat their home to a comfortable temperature<sup>2</sup>
- Even in warmer months, 2 in 5 renters are living in a home with damp or mould<sup>2</sup>
- The cost-of-living crisis has led almost 1 in 5 to go without heating, hot water and electricity<sup>2</sup>

These issues are exacerbated by poor energy efficiency. More than half of privately rented homes have an EPC of D or lower,<sup>1</sup> meaning renters are wasting hundreds of pounds a year in excess energy costs compared to more efficient homes.<sup>3</sup>

Meanwhile, landlords face their own pressures. Rising interest rates and the uncertain policy environment have significantly impacted landlord willingness to upgrade their properties.

- 1 in 4 landlords have cut the amount they planned to invest<sup>4</sup>
- 1 in 5 landlords have abandoned their plans for investment all together<sup>4</sup>

This report explores these challenges and proposes a supported pathway to improved housing that considers the needs of both landlords and tenants. It also outlines key areas where further research is required, as well as actionable recommendations for policy makers.



# BACKGROUND



To meet the challenges of the Private Rented Sector, homes must be upgraded, or retrofitted, to increase comfort, improve running costs, and improve indoor air quality.

Making changes to the efficiency and performance of homes not only has benefits for tenants but also landlords.

For **landlords**, retrofit can:

- Increase property value<sup>6</sup>
- Reduce the number of void days<sup>7</sup>
- Reduce maintenance and repair costs<sup>7</sup>
- Reduce tenant turnover<sup>8</sup>

And for **tenants** a high-quality retrofit:

- Reduces energy bills<sup>9</sup>
- Increases the comfort of the home, keeping warm in winter and cool in summer<sup>10</sup>
- Improves indoor air quality<sup>10</sup>
- Promotes positive physical and mental health outcomes<sup>9</sup>

## WHAT IS RETROFIT?

Retrofit is the process of updating an existing building to improve its performance, efficiency and functionality.<sup>5</sup>

Common retrofit measures include:

- Draught proofing
- Low energy light bulbs
- Insulation
- Ventilation systems
- Efficient windows and doors
- Heat pumps
- Solar panels and batteries

A retrofit project could include one or many of these measures, depending on the needs of the building, available budget and time, as well as the goals of the building owner. As a result, retrofits can range from minimally invasive measures, such as draught-proofing costing less than a hundred pounds, to more extensive projects causing significant upheaval and costing tens of thousands of pounds.

# METHODOLOGY



At the National Retrofit Hub, we facilitate those working within and beyond the retrofit sector to come together, collaborate and share knowledge. Our approach to this study was:

1. Understanding the scope of the challenge, the current support available, and the required scale and pace of change. This was achieved through analysis of existing literature, stakeholder roundtables and quantitative data analysis to understand landlord needs.
2. Identifying existing recommendations to improve home performance and seeking consensus on those recommendations via stakeholder roundtables and bilateral meetings with representatives from central and local government.
3. Testing suitability and acceptance of policy proposals via eight semi-structured interviews with landlords and a roundtable meeting with local authority representatives.

## LANDLORD SAMPLE :

Sampling was based around key landlord personas of single-property, larger portfolio and debt-free. All landlords are referred to using pseudonyms.

- Laura: 1 property
- Sarah: 1 property
- Philip: 1 property, debt-free
- Diana: 5 properties
- Robert: 5 properties
- Tess: 5 properties, debt-free
- Matthew: 8 properties
- Patrick: 18 properties

## IDENTIFYING OBJECTIVES

- Review existing literature
- Stakeholder workshop
- Create landlord personas



## CO-CREATE SOLUTIONS

- Stakeholder workshop
- Central government meetings
- Local government meetings



## POLICY TESTING

- 8 semi-structured interviews with landlords
- Local Authority workshop

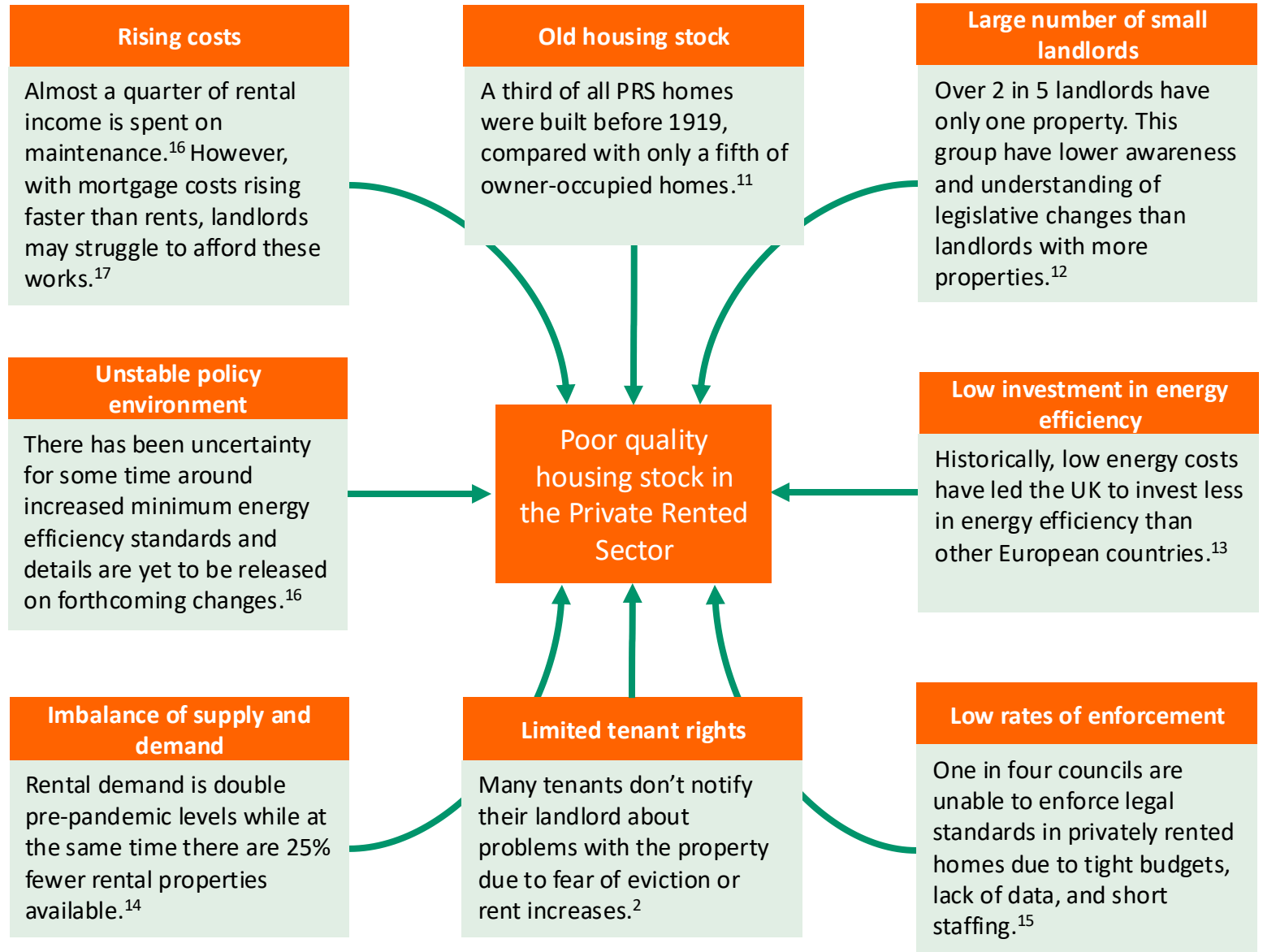
# CONTEXT



To better understand the sector, it is important to consider the wider system within which privately rented homes exist.

Uncovering these wider influencing factors provides a clearer understanding of why privately rented homes have remained unimproved for so long and highlights opportunities to reverse this trend.

Some of these contexts are similar across tenures, while others are specific to the Private Rented Sector.



# EXISTING SUPPORT



**Fragmented schemes** - Existing support for upgrading homes in the Private Rented Sector is spread across several schemes, all with differing eligibility criteria and contribution requirements.

**Performance of ECO4** - Scheme performance data is not always split by tenure but for ECO4, the available data shows that:

- 14% of all measures have been installed into privately rented homes<sup>18</sup>
- This compares favourably with the 19% of privately renting households in England<sup>1</sup>

However, the scheme appears to fall short in addressing those most in need:

- Almost 1 in 4 private tenants are living in fuel poverty<sup>18</sup>
- 5% of PRS homes remain in EPC bands F and G<sup>18</sup>

**Funding disparities** - Average scheme spend per property highlights significant inequality:

- **£2,600** for privately rented homes
- **£31,200** for social housing
- **£8,400** for owner-occupied homes

This disparity suggests interventions in the PRS are less comprehensive, delivering limited energy performance improvements compared to other tenures.<sup>19</sup>

## ANNOUNCED CHANGES

The Labour government has announced a range of measures that will have an impact on the delivery of retrofit in the PRS:

- Abolishment of Section 21 evictions to protect tenants who need to complain about the condition of the property.
- Introduction of the Decent Homes Standard and Awaab's law to encourage swift action in cases of health hazards such as damp and mould.
- Creation of a Private Rented Sector Database and redress scheme to communicate with landlords as well as provide information to tenants and Local Authorities.
- Announcement of a forthcoming consultation on increasing Minimum Energy Efficiency Standards (MEES).<sup>20</sup>
- Funding for landlords through the Warm Homes: Local Grant.<sup>21</sup>

There are concerns that these proposals will not go far enough to improve standards in the sector. This is especially the case with the lack of support for tenants in understanding their rights and being able to get them enforced.<sup>22</sup>

Additionally, there is concern about the delay to MEES, leaving little incentive for landlords to make improvements until the policy is officially announced.<sup>9</sup>

# KEY ACTORS IN THE PRS



## TENANTS

**Responsibilities:** Report repairs and allow access for remedial work, understand how to operate boiler and appliances, and generally look after the property. This includes carrying out minor maintenance as well as, where possible, ensuring adequate ventilation.<sup>24</sup>

**Rights:** Quiet enjoyment of a well-maintained home with functioning appliances that meets statutory energy efficiency standards.<sup>24</sup>

**Challenges:** Imbalance in supply and demand, lack of enforcement and insufficient protections against eviction or rent rises put tenants in a weak position if properties are not adequately maintained. Additionally, with low levels of agency the range and impact of changes they can make without landlord approval is limited.<sup>14, 15, 2, 24</sup>

## LOCAL AUTHORITIES

**Responsibilities:** Housing and trading standards teams within local authorities are responsible for the enforcement of relevant regulations. Local authorities have a duty to prevent and relieve homelessness and can work with families to sustain tenancies or access new properties.<sup>25, 26</sup>

**Challenges:** Due to lack of resources and low penalties for landlords many local authorities struggle to effectively enforce energy efficiency regulations. 1 in 4 councils don't enforce standards at all, while a further 1 in 5 carry out enforcement only on receipt of a complaint.<sup>15</sup>

## LANDLORDS

**Responsibilities:** Ensure the property is safe and fit for human habitation with an EPC of E (unless exempt), and free from serious health and safety hazards. Maintain structural integrity and complete repairs. Apply for a license if relevant.<sup>24</sup>

**Rights:** Raise rents and end the tenancy given appropriate notice.<sup>24</sup>

**Challenges:** In a regulation-driven sector with an imbalance of supply and demand there is no regulatory or market pressure to upgrade homes. Finance is a barrier for those who are cash-poor and may struggle to borrow. Many work independently with few touchpoints to those who could disseminate advice such as agents or finance providers.<sup>14, 17, 12</sup>

## PRIVATE SECTOR

**Lettings agents:** No formal role but many support landlords to understand and comply with their responsibilities. Agents also have a duty of care towards tenants including advising and providing essential information relating to the property.<sup>27</sup>

**Finance providers:** Many finance providers offer support to mortgage holders, from advice to green finance products. The previous government consulted on improving home energy performance through lenders in 2021, but there has not yet been a response.<sup>28</sup>

# LANDLORD PERSONAS



To work out which combination of policy proposals would be most appropriate we identified three distinct landlord personas using the English Private Landlord survey.<sup>30</sup> These are among the most common landlord ‘types’ and face unique and distinct challenges when it comes to retrofitting their properties.

## SINGLE PROPERTY

- Over 2 in 5 landlords own one property
- A significant proportion have interest only mortgages
- Lower levels of rental income
- Most likely to want to leave the market
- A significant minority not aware of their EPC. Those that are are most likely to have an EPC of C or above

### Barriers to retrofit:

Upfront costs may be a barrier to many in this group, as well as generally lower levels of legislative awareness.

## LARGE PORTFOLIO

- Almost 1 in 5 landlords own 5 or more properties
- Many own under 10 properties
- Higher levels of interest only mortgages
- Lower property values
- Least likely to have properties of EPC C and above

### Barriers to retrofit:

Upfront costs are likely to be significant. Different archetypes may make scheduling and specification difficult.

## DEBT FREE

- Over 1 in 3 landlords are debt-free
- Most likely to be over 65 - many are retired
- Lower levels of rental income
- Least likely to want to change the size of their portfolio
- Significant minority have a property rated EPC C or above

### Barriers to retrofit:

May be unwilling to take on debt to pay for retrofit works. This group also has fewer natural touchpoints for advice.

# POLICY LANDSCAPE



There are several forthcoming policies in this area which will have a significant impact on tenants. And while there are multiple departments involved at the legislative level most new policies will need to be enforced by local authorities.

Keeping the existing landscape in mind, along with existing recommendations for policy change, we hosted a series of stakeholder roundtables to develop a cohesive set of proposals to cover the whole retrofit journey.

## RENTERS RIGHTS BILL

Currently working through parliament, this bill, sponsored by the Ministry of Housing, Communities and Local Government (MHCLG), would:

- Reform tenancies and strengthen tenants' rights
- Create a private rented sector ombudsman service
- Create a private rented sector database
- Create a legal standard for property conditions
- Expand enforcement powers

If passed, much of the day-to-day enforcement would be the responsibility of local authorities.

## EPC REFORM

MHCLG and DESNZ are currently consulting on reforms to EPCs.

EPCs inform major policies and regulations such as eligibility for schemes and compliance with energy efficiency standards. Any change to EPCs could therefore have significant knock-on effects.

EPCs are relevant to tenants as updated and improved data should make it easier to assess the energy performance of their homes and make informed decisions about running costs.

## GRANT SCHEMES

There are multiple existing grant schemes that landlords are eligible for.

These are the responsibility of the Department of Energy Security and Net Zero (DESNZ) with Ofgem administering ECO and GBIS on behalf of DESNZ. DESNZ recently consulted on mid-scheme adjustments to ECO and GBIS to increase take-up and introduce a pay-for-performance mechanism.

The Warm Homes: Local Grant is delivered by local authorities and is expected to run from 2025 to 2028.

## MINIMUM ENERGY EFFICIENCY STANDARDS

Current standards for the PRS are a minimum EPC of E, unless exempt. For the past several years, there has been discussion around raising this to EPC C. This uncertainty has made it difficult for landlords to decide whether to upgrade their properties.

The Labour Government has committed to upgrading minimum energy efficiency standards (MEES) in the PRS, but there are currently no active plans to do so. MEES would be the responsibility of DESNZ and likely to be enforced by local authorities.

# POLICY PROPOSALS



POLICY	RATIONALE			
<b>Compulsory Registration</b>	Compulsory registration builds on the current proposal of a PRS database. Requiring all landlords to register provides opportunities to disseminate information and streamline compliance and enforcement. Registration should be in place before new Minimum Energy Efficiency Standards come into force.			
<b>Minimum Energy Efficiency Standards</b>	Given the imbalance of supply and demand in the PRS, without raising minimum energy efficiency standards it's unlikely that market forces alone will be sufficient to drive up standards.			
<b>Advice Provision</b>	Landlords will need advice on how best to meet new efficiency standards. This advice service should provide clear pathways to compliance such as measures required and how to finance them as well as how to engage with tenants.			
<b>Finance Options</b>	<p><b>Market-based financial products</b></p> <p>Green mortgages and loans will provide access to capital for those who wish to build retrofit works into their existing maintenance schedule or who want to undertake works themselves.</p>	<p><b>On-bill or Heat as a Service schemes</b></p> <p>On-bill and Heat as a Service schemes provide two distinct benefits:</p> <ol style="list-style-type: none"> <li>1. Works are carried out by a third party</li> <li>2. Repayment costs are minimal and may be covered entirely by bill savings</li> </ol>	<p><b>Local Authority buy-out or long lease schemes</b></p> <p>To manage the process of landlords leaving the market, Local Authorities should have the option to buy back these properties or retrofit them and rent them out using long-term leasing schemes.</p>	<p><b>Fuel poverty schemes</b></p> <p>For landlords who rent properties to eligible tenants, existing fuel poverty schemes provide a fully funded route to retrofit.</p>
<b>Outcomes Assessment</b>	When the works are complete, it is important to have an appropriate mechanism in place to measure outcomes.			
<b>Ongoing Compliance</b>	There must be mechanisms to ensure that properties remain compliant. Enforcement bodies must be adequately funded so that they have the capacity to investigate and take enforcement action against non-compliant properties.			



A Private Rented Sector Database has been put forward as part of the Renters' Rights Bill. We welcome this inclusion as our research indicates that without a single database it will be difficult to inform landlords of changes to their rights and responsibilities.

A database of this kind has multiple benefits. For landlords, it provides a single source of guidance on regulations. It makes it easier for local councils to identify poor quality and non-compliant housing. It provides tenants with key information to inform their choices when entering a new tenancy and how to report issues to the local authority or new Ombudsman service.

Effective implementation of a database requires:

- Avoiding duplication in areas with pre-existing licensing schemes to prevent dilution of impact for tenants and increased time and cost for landlords.
- Funding to adequately enforce the scheme.
- Effective communications to drive public awareness.
- Timescales that allow for adequate levels of compliance before enforcement action takes place.
- Consideration of added value by using the database to record information, enable easier verification of regulatory compliance, and upskill the market through information and training provision.

## RENT SMART WALES

Responsible for landlord and rental property registration and licensing of landlords and agents in Wales, Rent Smart Wales was established following the introduction of the Housing (Wales) Act. Rent Smart Wales has been in place since November 2015 and enforced since November 2016.<sup>36</sup>

For landlords, Rent Smart Wales means:

- Compulsory registration through a single body
- Provision of information and training opportunities
- Possibility of licenses being revoked if non-compliant

Evaluation of the scheme in 2018 found that while the scheme provided good quality information and guidance, local authorities lacked clarity on enforcement as well as the roles and responsibilities of those involved. Additionally, authorities reported a lack of enforcement capacity both locally and nationally.<sup>76</sup>

Research by the NRLA highlighted issues arising from councils' retained ability to introduce local licensing schemes leading to higher fees and additional paperwork for landlords.<sup>34</sup>



Most landlords reacted positively towards the idea of registration. The landlords interviewed considered themselves to already be compliant with regulations and therefore had nothing to hide.

Concerns were raised around the potential cost of registration and whether a national scheme would be in addition to, or instead of, existing local schemes.

Registration was considered useful for some as a tool to disseminate information, but others expressed concerns about how this would interact with existing sources of information from membership organisations and letting or management agents, citing the risk of information overload.

Local Authority representatives mentioned that income from licensing schemes can serve as a valuable enabler of enforcement activity, allowing them to take a more proactive approach rather than only reacting to potential non-compliance issues.

## RECOMMENDATIONS :

Our research indicates a high level of acceptance for a policy of this kind. Further research is needed to explore how best to implement it. We recommend:

- Examining the interaction of national and local schemes in terms of costs, administrative burden and enforcement, as well as communications and awareness raising.
- Exploring the use of digital logbooks to gather and hold relevant information. [Click to read the Hub's introduction to building logbooks.](#)



*“As a landlord who’s doing things by the book, I think [registration] would probably be a good idea. It would mean that as a landlord you would get to know about any changes in legislation that you might not have known about.”*

*- Robert, 5 properties*

*“At the moment I rely on the letting agency to tell me about anything I need to know but I am aware that that’s really quite selective and is just what they think they’re going to tell me. And obviously they’re trying to make money out of me as well. So I think [registration] would be really helpful.*

*- Tess, 5 properties, debt-free*

# POLICY PROPOSALS : MINIMUM ENERGY EFFICIENCY STANDARDS

The current low baseline for minimum energy efficiency standards in the Private Rented Sector results in tenants wasting hundreds of pounds a year on heating compared to what they might spend in a more efficient home. Given that tenants are at an increased likelihood of fuel poverty, it makes sense to raise the minimum standards to a level where tenants can afford to comfortably heat their homes.

Our research indicates that this sector is regulation-driven and unlikely to improve without new obligations. To ensure maximum impact, standards will need to be comprehensive, and should:

- Increase the minimum EPC to rating C, with the potential for further increases as standards in other sectors improve.
- Avoid complete exemptions with the use of dynamic cost-caps, incentives to apply for existing grant schemes, and installation of low-cost measures where whole house retrofit is truly cost-prohibitive.
- Include safeguards against inefficient technologies that may exacerbate issues with heat security and fuel poverty.
- Be pursued alongside EPC reform, to improve the accuracy and reliability of EPCs, introduce metrics that effectively reduce issues relating to damp and mould, protect against overheating, and increase climate resilience. [Click to see more of the Hub's work on EPC reform.](#)

## IMPACT OF MINIMUM ENERGY EFFICIENCY REGULATIONS

Analysis of the existing Minimum Energy Efficiency Regulations has found that regulation has improved energy efficiency for rental properties relative to owner-occupied homes. While the average impact of energy efficiency regulations is estimated to be an increase of only 5 SAP points, the impact appears to be more significant for the least efficient properties. The policy also seems to have acted as a trigger for wider investment, particularly in the areas of lighting, heating controls, and pitched roof insulation.<sup>37</sup>

However, improvements in energy efficiency within rental properties have not been matched by substantial gains in environmental performance compared to owner-occupied homes. This is thought to be due to the emphasis on cost reduction rather than transitioning energy sources, combined with the higher costs of electricity relative to fossil fuels.<sup>38</sup>

As we move closer to Net Zero, it is important to consider the aims of both Minimum Energy Efficiency Standards and EPC reform to evaluate whether they are the most effective vehicles to achieve energy efficiency as well as carbon reduction targets.



# POLICY PROPOSALS : MINIMUM ENERGY EFFICIENCY STANDARDS

The landlords we spoke to were all aware of, and compliant with, current regulations. Attitudes towards the proposed changes varied; some viewed tightening MEES as a positive step towards reducing carbon emissions and improving tenant comfort, while others felt like increased energy efficiency was more of a 'nice to have' or a regulatory tick box exercise.

Despite these differing perspectives, landlords were highly pragmatic, and most said that if regulations changed, they would update their properties accordingly. Although many appeared to perceive regulation as a ceiling rather than a floor, meaning that they are likely to seek the least costly way to meet the minimum legal standard.

There was concern amongst landlords about the level of agency they had to make changes and what that might mean in relation to meeting regulations, for example in flats, which account for almost 2 in 5 rented properties, hard to treat properties and conservation areas.

## RECOMMENDATIONS :

To encourage as much retrofit activity as possible, we recommend:

- Investigating the impact of different cost caps and exemptions.
- Adapting MEES regulations over time to ensure the Private Rented Sector keeps pace with improvements in other tenures.
- Examining the impact of potential new EPC metrics on MEES regulations.



*[MEES] is a great idea, because it makes everything run more efficiently but it's just jumping two or three levels, what that looks like I'm not sure at the moment and the costs associated with that as well.*

*- Diana, 5 properties*

*It's just such a mess at the moment. From one year to the next I don't understand what the requirements are.*

*- Matthew, 8 properties*

*I could spend hundreds of pounds replacing the glazing. I assume there's no cavity wall insulation, I don't know. That would cost hundreds if it had to be done. I'd rather just sell the place*

*- Philip, 1 property, debt-free*



To effectively meet new regulations many landlords will need advice on what to do and how to do it. This advice must be tailored to the individual landlord and respond to their unique set of circumstances.

Advice should go beyond signposting and provide a whole house retrofit assessment and plan which would include:

- Current dwelling retrofit assessment, aligned with BS40104
- Suggested packages of measures
- Suggested scheduling
- Anticipated costs
- Avenues for funding

The service should also provide advice and guidance on effective tenant engagement. This is a crucial step in the process of building trust, gaining buy-in, and promoting positive outcomes for tenants.

Additionally, certain energy efficiency and low-carbon heat measures rely on tenants understanding how to operate them and adopting specific behaviours to realise their benefits. Without a well-designed engagement programme before, during, and after the retrofit process, these benefits may fall short of expectations, leading to frustration for both tenants and landlords.

## **MA PRIME RÉNOV, FRANCE**

MaPrimeRénov is France's one-stop-shop and financial assistance programme that supports homeowners (including landlords) to improve their energy and carbon efficiency.

To support homeowners throughout their journey a professional role has been created. Mon Accompagnateur Rénov (My Renovation Assistant) provides end-to-end advice and guidance by:

- Carrying out an energy audit
- Supporting the development of the work project
- Assistance selecting quotes and securing finance
- Advising on how to monitor the site during works
- Visiting the home post-installation to confirm completion of the works, fitting energy monitoring equipment and giving advice on living in the property post-retrofit<sup>47, 48</sup>

As of February 2023, approximately one million households, primarily low-income, have received funding for the scheme.<sup>46</sup>



Most landlords said it would be helpful to have an unbiased source of advice, especially around the costs of retrofit, but had concerns about the price of the service.

Those concerned about advice costs mentioned that if the service was too expensive, they would forgo advice and just install simple energy efficiency measures like loft insulation. One landlord specifically mentioned talking directly to an EPC assessor to identify the cheapest way to meet requirements.

Several landlords suggested that it would be helpful to have advice on other areas of being a landlord such as commercial properties, tax, and relevant legislation. They also mentioned that it could be beneficial to access all advice through the same service.

There was some concern among landlords about advertising a new service and whether it would be more effective to make use of existing bodies, such as membership organisations and energy retail companies, to deliver this advice.

## RECOMMENDATIONS :

High quality advice is essential to the retrofit process. Without it, retrofit can lead to unintended consequences related to inappropriate products or inadequate ventilation. Given the reluctance of some landlords to seek this advice, we recommend:

- Identifying the most effective advice delivery models and which existing actors are well placed to deliver advice.
- Incentivising landlords to access advice, potentially linking the receipt of advice to eligibility for finance, or to licensing conditions.



*I mean there's quite a lot of advice out there already I think. Google is out there.*

*- Laura, 1 property*

*If I've had an EPC assessment on my property and it's below the requirements. I'd want absolute clarity on what my options are to bridge the gap between where I am and where I need to be. At the moment you can kind of get that from various consultants that exist but how accurate and consistent they are is something to be debated so a robust source of information on that would be really helpful.*

*- Matthew, 8 properties*



While larger landlords were more likely to want to schedule any retrofit works between tenants or upon the purchase of the property, most landlords preferred to do retrofit works with tenants in situ.

This approach means that many landlords will need to engage with tenants on the retrofit process. Almost all the landlords we spoke to use agents to let and manage their properties, expecting the agent to manage any direct communication with the tenant. Despite this, most landlords believed that tenants would be open to retrofit works if they directly benefited from lower energy costs.

The reliance on agents has created a significant communication gap between landlords and tenants. This disconnect has led to assumptions around tenant eligibility for grant funding, their views and opinions, and their satisfaction with energy efficiency improvements or energy bills.

## RECOMMENDATIONS :

Agents will play a vital role in negotiating and arranging retrofit activity. Work is needed to understand:

- Letting and management agents' current activities and how they view their role.
- The potential for agents to coordinate and carry out retrofit projects for several landlords within a geographical location. The Innovate UK funded [Let Zero](#) project is currently assessing the viability of this kind of approach.



*I've got 'sucker' written all over me so if the tenant says they've got a problem I'd be there every week to help them fix something.*

*- Sarah, 1 property*

*I have no idea of the names of the tenants, I haven't visited the property for 5 or 6 years. I rely totally on my letting agent. I would assume the agent would know [about ECO] and if a tenant was eligible they'd let me know.*

*- Philip, 1 property, debt-free*

*We've not had any complaints [about energy bills] so far. Rightly or wrongly, we've assumed we haven't had problems.*

*- Patrick, 18 properties*



While many landlords are likely to prefer to pay for property upgrades with cash, a significant number will need to borrow money to finance retrofit works.

Unless a national scheme is implemented, it is likely that existing providers will need to offer financial products to facilitate retrofit works.

Given the extreme differences in landlord cash flow and level of savings, it will be important to have a range of products available to all who need them. This will mean considering:

- The loan term and how this impacts interest rates and repayment costs
- Whether total amounts of borrowing are sufficient for those with larger portfolios
- Whether there are suitable re-mortgage options for those with interest-only mortgages
- Whether property linked finance is a good long-term solution for many types of landlord
- How to ensure that money lent is used for the required purpose

## HOME ENERGY SCOTLAND

Interest-free loans, of up to £100,000 (£38,500 per property) for registered landlords with five or fewer properties, and loans of up to £250,000 at 3.5% APR to landlords with larger portfolios, have been available in Scotland since 2020.<sup>39</sup>

The scheme has been designed to help overcome the upfront cost barrier that prevents the installation of retrofit measures. It provides access to funds for measures such as insulation, heating controls, low carbon heating, energy storage systems and connections to district heat networks.<sup>41</sup>

However, over three years after the scheme had been implemented, less than 1% (215) of homes in the sector have accessed funding. Most of these homes (190) received funding for energy efficiency measures with only 26 receiving funding for renewable measures.<sup>77</sup>

It is important to note, however, that this market is currently demand-led and it remains to be seen what the impact of forthcoming Scottish legislation on minimum energy efficiency standards will have on the uptake of loans.<sup>40</sup>



Many of the landlords we spoke to, especially those with smaller portfolios or who were debt-free preferred to use cash to fund retrofit works.

For those who would consider borrowing there was concern about the borrowing terms and whether they would be affordable. Landlords felt that lenders should be flexible with maximum borrowing levels and interest rates given that the money was being borrowed for the specific purpose of meeting regulations.

Landlords were also conscious of repayment levels. Many reported increased costs due to higher energy bills, interest rates and insurance and felt that if their costs increased, they would have no choice but to pass this on to tenants.

Regardless of payment method chosen, most landlords in our sample were generally reluctant to pay for retrofit works and mentioned a desire to meet regulations with the smallest investment possible.

## RECOMMENDATIONS :

Preferences around finance varied considerably depending on the landlord's own financial circumstances and property investment strategy. We recommend:

- Working with finance providers to understand whether existing products are matched to landlords' investment strategies.
- Creating financial products that incentivise high-quality retrofit rather than encouraging minimal investment to meet legal obligations.



*I've got a 75% loan to value mortgage now but 75% is the maximum the lender would lend. So, if I'm forced to [retrofit] and have no other means to fund it, I'd have to borrow money that would take me from 75% to 80%. I think there should be rules that the lender can't deny me funding or penalise me because I'm not doing [retrofit] for personal gain, I'm doing it because I'm obliged to do it.*

*- Matthew, 8 properties*

*I don't have a mortgage, so extending it isn't an option. If I couldn't cover the costs with cash, I'd get a loan from the bank. The issue would be interest rates and over how many years.*

*- Philip, 1 property, debt free*

# POLICY PROPOSALS :

# TAX INCENTIVES



It is expected that as demand for retrofit grows, costs will decrease. However, for this to happen, significantly more retrofits need to be undertaken each year. The PRS is well-positioned to lead this effort, given the regulatory tools available to trigger actions and the urgent need within the sector to reduce tenants' fuel bills and improve health outcomes.

Tax incentives can help landlords recoup some of these higher upfront costs, while also acting as a fiscal incentive to undertake more significant retrofit works to future-proof their properties.

Other organisations have proposed zero-rated VAT on retrofit measures and the introduction of a decarbonisation tax allowance. Whilst the previous Landlord Energy Saving Allowance scheme had low uptake, it is expected that the introduction of MEES would drive significantly more interest into schemes of this kind.

## RECOMMENDATIONS :

Attractiveness of tax incentives is likely to differ according to individual landlords' financial circumstances and investment strategies. We therefore recommend:

- Investigating the aggregated costs and benefits of different types of tax incentives at a national level.
- Working with landlords to identify the incentives most likely to drive increased retrofit activity.



*The question immediately on my mind is how is this treated from a tax point of view. Energy costs are tax deductible, mortgage interest is tax deductible, mortgage capital is not tax deductible. If you were to [retrofit your property] how would that be treated from a tax point of view?*

*There could be tax incentives to accelerate the take-up of [retrofit]. If the government wants to fast track some of this stuff, make it advantageous from a tax point of view and we'll do it quicker.*

- Matthew, 8 properties

# ON-BILL SCHEMES



On-bills schemes are a method of financing energy and carbon efficiency measures that allows for repayment of costs through energy bills. The schemes are usually structured to aim, at least, for ‘bill neutrality’ meaning that repayment costs are no higher than energy savings. This ensures that residents are not financially worse off during the repayment period and at the same time get to benefit from the increased warmth and comfort that retrofit can offer.<sup>49, 53</sup>

On-bill schemes work well for the Private Rented Sector as they help resolve the ‘split incentive’ that exists when the person who pays for the works (landlord) is not the person who benefits from them (tenant). Using on-bill repayment means that upfront cost barriers for landlords are removed, while tenants have no increase in energy costs due to bill neutrality.

Energy savings are often highest when efficiency measures are coupled with energy generation and storage solutions, such as solar panels and batteries. However, costs for this kind of work are significant, making these kinds of solutions unlikely in the Private Rented Sector. With a focus on bill neutrality, on-bill schemes can remove the upfront cost barrier to the package of measures most likely to save money for occupants.

These additional measures also provide benefits to the energy companies themselves through increased demand flexibility, providing incentives for energy companies to facilitate these changes.

## PAY AS YOU SAVE, USA

From 2022-2021, 23 utility companies across 10 states have invested more than \$50 million in building efficiency and electrification upgrades in nearly 6,000 locations with more than \$170 million committed for similar uses over the next three years.<sup>50, 52</sup>

Pay as You Save schemes are characterised by cost recovery through a charge on the bill that is less than the estimated savings. Research analysing data from companies using these schemes has found:

- Large market potential given minimal barriers to eligibility. For many of these schemes, the only requirement is to be a customer.<sup>50</sup>
- High acceptance rates of up to 90% where the offer includes no upfront participant contribution.<sup>51</sup>
- Willingness of both companies and customers to undertake larger projects to achieve deeper savings.<sup>50</sup>
- High-cost recovery rates of 99.9% with no companies reporting disconnection for nonpayment.<sup>51</sup>

# POLICY PROPOSALS :

## ON-BILL SCHEMES



Landlords were generally unfamiliar with on-bill schemes or other kinds of innovative financing models. When they understood the concept, most found it appealing in principle but felt that it would be a difficult idea to sell to tenants given that they pay their own energy bills. Most landlords weren't comfortable having a conversation about schemes of this kind with tenants, even via an agent.

Despite most landlords saying they would increase rent to recoup costs of market-based financial products used to finance works they also said they felt uncomfortable with the idea of on-bill schemes because it looked like the tenants were paying for the upgrades themselves.

Some also mentioned the difficulty of potentially tying the tenant into a long-term arrangement with a specific energy company as they may wish to switch or prefer a particular energy provider.

### RECOMMENDATIONS :

On-bill schemes facilitate high quality retrofits and prevent minimum intervention to meet legal minimum standards. However, given the reluctance of landlords to have this conversation with tenants we recommend:

- Understanding tenants' views and exploring whether schemes of this kind are appropriate for tenants in fuel poverty where bill reductions are critical.
- Exploring other 'full service' models to encourage deep, high-quality retrofit without placing costs directly onto tenants.



*From a landlord point of view it would be great, but might get push back from tenants. I don't want the tenant to feel like they're paying for it, it's not their property.*

*- Diana, 5 properties*

*Adding [retrofit costs] on to the tenant's energy bill, particularly if that's done before a new lease is signed and a tenant is fully aware of it when they sign the lease might be a way of getting round landlords disinterest or unwillingness to do these works. If it's a very small amount added to the tenant's bill and they agreed to it when signing the lease, it's possibly a good method for getting the works done and paid for.*

*- Robert, 5 properties*



For landlords who rent to low-income tenants, existing national and local schemes exist to fund the cost of retrofit works.

Yet, most of the landlords we spoke to were unaware of the existence of funding. Furthermore, even when informed about them, many were unsure whether they would qualify as many of them know little, or nothing, about their current tenants.

Landlords expressed discomfort in asking tenants about their income, fearing it might be perceived as intrusive or lead to dishonesty due to concerns about potential prejudice. Landlords also mentioned that their agent typically handles tenant selection, leading them to assume that if tenants were eligible the agent would have let them know.

Landlords indicated that if MEES was in place they would be more incentivised to seek out funding sources and more likely to contact tenants or agents to pursue the issue of funding for retrofit works.

## RECOMMENDATIONS :

Retrofit funding in the PRS is currently under-utilised. Our research identifies low awareness among landlords, agents not raising the issue with landlords, and landlord reticence to ask tenants personal questions. We recommend:

- Improving letting agents' awareness of, and willingness to promote, energy efficiency schemes.
- Investigating whether national schemes are the most effective method of increasing retrofit in the PRS or whether funds could be better spent elsewhere.



*I knew there was funding available because I was looking for funding for solar panels when I bought a new house.*

*I've had a discussion with the estate agent listing my property that I'm looking for someone on benefits so I can qualify for funding [for retrofit works].*

- Sarah, 1 property

*A previous tenant got free loft insulation from his energy company. If he hadn't asked, I would have felt cheeky pursuing it even though he was the one benefiting.*

- Laura, 1 property



While landlords are likely to own properties longer than owner-occupiers,<sup>56</sup> the market is shrinking. Private landlords are selling more properties than they are buying, with London losing 4% of its privately rented homes from April 2021 to December 2023.<sup>55</sup>

This has led to increased rents in most parts of the country, putting pressure on tenants with many in ‘negative budgets’, using credit cards and other borrowing to pay their rent.<sup>2</sup>

At the same time, Local Authorities are struggling with affordable housing provision, both for long-term rentals and for temporary accommodation.

To ensure the continued provision of affordable rented homes, councils could be supported to purchase and retrofit properties from landlords exiting the market. There are various forms a policy of this kind could take:

- Local Authority purchase of properties already rented to council tenants who have been given eviction notices due to landlord intention to sell.
- Compulsory purchase of vacant properties either owned privately or by banks.
- Right of first refusal to the council before the landlord can offer properties for sale or lease to other parties.

## LEASING SCHEME WALES

As an alternative to Local Authority purchase, Leasing Scheme Wales facilitates the lease of privately rented properties. Councils have access to properties for 5 to 20 years while landlords maintain ownership of the property.<sup>61, 66</sup>

Launched in January 2022, in a little under 2 years, 90 properties have been leased to Local Authorities across Wales.<sup>65</sup>

Properties leased by the scheme must have an EPC rating of C, with funding available of up to £25,000 to bring them up to this standard.<sup>61</sup>

Those most interested in the scheme are ‘accidental’ landlords (landlords renting a property they didn’t originally intend to rent out) and those who own their properties outright. For property owners, the main benefit of the scheme is the Local Authority’s management of the property.

Barriers were identified around rental prices of Local Housing Allowance rate being too low and being able to secure higher rents in the private market.

For tenants, the scheme provides tenancy support and affordable rents with participants on the scheme reporting a positive impact on their wellbeing.<sup>65</sup>



Views on Local Authority led leasing schemes varied depending on the landlord's investment strategy. It was more attractive to those who didn't have significant mortgages on the property and weren't relying on monthly yields for income. Even then, most landlords didn't think Local Housing Allowance is close enough to commercial rent for this scheme to be viable in all parts of the country.

For those landlords who were interested in leasing schemes, they viewed it as a way to upgrade their properties without paying the upfront costs.

Local Authority representatives were concerned about the financial viability of upgrading properties especially given that landlords likely to be interested in selling or leasing schemes may have properties that are harder than average to upgrade.

Local Authorities also mentioned issues with current funding models that require an eligible tenant to be in-situ when it is easier to undertake retrofit works on empty properties.

## R E C O M M E N D A T I O N S :

Local Authorities are under pressure to provide more affordable housing but are concerned about the affordability of upgrading properties, especially in areas where works represent a significant proportion of the property's total value. We recommend:

- Removing restrictions in existing schemes to allow the retrofit of vacant properties.
- Expanding existing schemes such as the Council Homes Acquisition Programme to enable the purchase and renovation or long-term lease of suitable properties.



*We did think of leasing to the council, but the rates weren't competitive. When you've got a mortgage to pay as well as increased costs it's not affordable to have Local Housing Allowance rent.*

*- Patrick, 18 properties*

*I'm not getting any younger and at some point, I'll want to sell the property to realise the assets. At that point, if the Local Authority can pay market value, I wouldn't care who buys it.*

*- Philip, 1 property, debt-free*



Once retrofit works are completed, it is essential to have an assessment process that not only verifies that the work has taken place but also ensures that it has achieved the anticipated outcomes.

Currently, it's not possible to fully assess compliance with energy efficiency regulations, as there is no complete record of all properties in the sector.<sup>37</sup> This lack of data makes it difficult for policy makers to understand the success of regulations and for enforcement agencies to easily identify properties that may be non-compliant. Additionally, the long, 10 year, validity period of EPC certificates means that any improvements made within this timeframe may not be reflected in the EPC data, making it hard for tenants to understand the actual condition of their homes.

Beyond EPCs and verifying the existence of energy and carbon efficiency measures, outcomes assessment is also important for understanding whether retrofit works have made a difference to the lives of residents. For example, have bills been reduced? What is the impact on indoor air quality? Has warmth and comfort been improved?

The National Retrofit Hub is currently leading work on both verification of works via digital logbooks and measuring the outcomes and impact of retrofit works. We have published a [digital logbooks explainer and data matrix](#), and are currently undertaking a literature review of existing outcomes and impact evaluation methodologies.

## UKGBC BUILDUPON2 FRAMEWORK

UKGBC has been working with Leeds City Council and Leeds Sustainability Institute to develop and test its new BUILDUPON evaluation framework. This framework allows for the measurement and quantification of the impacts and benefits of retrofit across three areas: Environmental, Social and Economic.<sup>70, 71</sup>

The evaluation framework has been piloted in 5 retrofit projects across the city and the project team have made the following recommendations for improvements:

1. Simplify:
  - Reduce and simplify data requirements
  - Digitise surveys and automate templates
  - Focus on occupants
2. Prepare:
  - Ensure adequate time and funding
  - Include evaluation in the tender specification and KPIs
  - Provide training support and tools<sup>72</sup>



Most landlords agreed that there should be some mechanism for proving compliance, which should also be available to tenants.

Landlords mentioned the long validity of EPC assessments and some suggested that the validity period could be brought down, or new triggers introduced to provide a more accurate assessment of the current condition of the property.

Landlords also mentioned the idea of getting a new EPC or some other form of certification on the completion of works, or at regular intervals, such as gas safety certificates, which could be a compulsory part of licensing conditions.

In these conversations, most landlords prioritised seeking proof of legal compliance rather than ensuring positive outcomes for tenants. However, those that did mention tenant comfort mentioned the potential use of measures such as energy bills, heat loss assessments and average temperatures.

## RECOMMENDATIONS :

The current model of evidencing measures installed, rather than outcomes achieved, does not necessarily capture the effectiveness of retrofit works. We recommend:

- Including measures valued by tenants, such as warmth, comfort, and energy affordability, into outcomes assessment models.
- Identifying the outcomes important to finance providers and the mechanisms required to evidence these outcomes.



*It's almost like having an MOT on a car. If you fail, they tell you why it's failed, and you do the works recommended and go back to them for a retest.*

*- Robert, 5 properties*

*I think works should come with a new EPC as standard particularly as you have to prove that you are [compliant].*

*- Laura, 1 property*

*I think if you're going to be investing in something to meet a certain level for it to be safe and efficient for a tenant, you'd need some kind of proof of work or rating.*

*- Diana, 5 properties*



After verification and outcomes assessments take place, it will be important to ensure compliance over the long term and, where necessary, to take enforcement action to protect tenants.

Local Authority capacity to enforce the existing Minimum Energy Efficiency Standards (MEES) is low, with 1 in 5 councils only enforcing the standards reactively and 1 in 4 not enforcing them at all.<sup>15</sup>

If enforcement rates are to be improved, Local Authorities will need:

- Adequate funding. Enforcement of Minimum Energy Efficiency Standards is not a statutory duty, meaning necessary funds have not been allocated from central government.<sup>69</sup>
- Clarity on the role of Local Authorities and the new private sector Ombudsman in resolving disputes around energy and carbon efficiency.
- Improved availability of data for identifying relevant properties and landlords, which could be provided through mandatory registration.
- Sharing of best practice on training, processes and team structures.
- Communications and engagement strategies to raise awareness among landlords, lettings agents, and tenants.

## CSE PRIVATE RENTED SECTOR MEES PILOT STUDY

CSE coordinated two phases of pilot studies with 19 Local Authorities to develop a toolkit to support them in implementing the Minimum Energy Efficiency Standard regulations.

The project highlighted issues with:

- A lack of consistent, up-to-date EPC data to aid data matching
- Finding ways to facilitate cross-team working between housing teams and Trading Standards
- Difficulty setting up enforcement processes, particularly in cases where regulations intersect with other legislation

Whilst the study provided promising indications that active enforcement can lead to increased compliance, there were concerns among participants about their ability to continue these activities. Indeed, most pilot authorities expected to scale back their proactive enforcement activities unless they could secure additional funding.<sup>67, 68</sup>

# ONGOING ENFORCEMENT



Many landlords were concerned about enforcement, and that while they would seek to achieve compliance with new regulations, other landlords wouldn't and would not be found out due to lack of enforcement capacity.

Some landlords suggested linking ongoing compliance with licensing conditions in the same way that electricity and gas safety checks are. This would allow for targeted and proactive enforcement by Local Authorities or even a central body.

Local Authorities also proposed including remote monitoring as part of licensing conditions to allow for proactive identification of issues such as heating system failures, low temperatures, and poor indoor air quality.

Local Authorities highlighted that their capacity to enforce would be limited without additional funding, especially given that enforcement extends beyond Minimum Energy Efficiency Standards and will cover Awaab's law and the Decent Homes Standard.

## RECOMMENDATIONS :

Enforcement activity must be well resourced and backed up by adequate protections so tenants can feel confident reporting issues. We recommend:

- Increasing tenant awareness of reporting routes and working with tenants to understand whether currently proposed protections are adequate.
- Identifying the most appropriate scale of monitoring compliance and the bodies best placed to carry out enforcement activity.



*[Lack of enforcement capacity] makes a little bit of a mockery of all this doesn't it. It will be people like me that are worried about not getting it right that will spend the money and there are those other [landlords who] won't bother and they'll get away with it.*

*- Laura, 1 property*

*If you had a national database, you'd expect that to contain the EPC assessment. Then at a touch of a button you could see who's compliant and who's not. Then you'd have consistency across the country and wouldn't be reliant on one Local Authority who has plenty of resource and one that's under resourced.*

*- Matthew, 8 properties*

# MARKET TRENDS



There has been much speculation about landlords' reaction to increased regulation in the PRS with some claiming that any increase in regulation will trigger an 'exodus' of landlords from the market.<sup>73</sup>

Our research, however, indicates that landlords are highly pragmatic and unlikely to sell unless their investment is no longer profitable over the long term. All but one of the landlords we interviewed suggested that they would meet regulations rather than sell their properties.

Most landlords had invested in property as a long-term capital investment and seemed to view their role primarily as investors rather than housing providers. Decisions around which upgrades to make appeared to be made in terms of which presented the best return on investment or would make it easiest to reach compliance rather than which would have the biggest impact on tenants.

Gaps in the data make it difficult to accurately monitor trends in the PRS but it appears that while some parts of the sector have shrunk this is largely due to consolidation rather than a significant reduction. Larger landlords have bought properties sold by smaller landlords dependent on buy-to-let mortgages, many of whom have been impacted by recent mortgage rate increases.<sup>74, 75</sup>

While issues in the PRS are clear, the sector shouldn't be looked at in isolation as an imbalance of demand and supply is evident across the whole housing market. To prevent further distortion and to ensure access to housing for those on lower incomes it is imperative that reforms to the PRS are pursued at the same time as increasing the overall supply of affordable homes.



*If [energy efficiency upgrades] benefit the tenants and adds value to the property, it's a win win for everybody.*

*- Philip, 1 property, debt-free*

*I got the property because it was the best investment compared to putting my money into a savings account.*

*- Sarah, 1 property*

*The properties are an income and a future investment for the long-term, I would want to hang on [to them] as long as possible.*

*- Diana, 5 properties*

# CONCLUSION & RECOMMENDATIONS



Our research with landlords suggests that standards in the PRS are unlikely to improve without additional regulation. We therefore recommend that increased Minimum Energy Efficiency Standards are introduced without delay.

However, achieving high-quality retrofits that deliver significant benefits for tenants is likely to require more than raising MEES to an EPC C, as proposed by the previous government. Landlords are pragmatic and regulation-driven, meaning they are likely to favour low-cost, minimal interventions to reach, but not exceed, the regulatory standard.

To drive meaningful progress, policies must aim to encourage as much retrofit activity as possible by setting ambitious targets, offering attractive incentives, and developing innovative financing models. We recommend further research into the specific targets, incentives and finance options most likely to encourage significant action.

While it is most cost-effective to carry out ambitious retrofit projects that eliminate the need for future revisits, such large-scale works may not always be feasible. As such, we recommend implementing a mechanism to allow MEES standards to be raised over time, ensuring the PRS keeps pace with improvements in other tenures.

To ensure ongoing compliance, these changes must be implemented alongside a package of robust tenant protections, adequate enforcement capacity for Local Authorities, and awareness raising and advice for both tenants and landlords.

## RECOMMENDATIONS:

**Minimum Energy Efficiency Standards must be increased without delay to an ambitious and achievable target** which:

- Encourages as much high-quality retrofit activity as possible
- Prevents the PRS falling behind other tenures over time
- Minimises exemptions by aiming to improve all properties as much as possible

**Further investigation into the right package of incentives and finance options needed to encourage significant retrofit activity** such as:

- Tax incentives
- Single provider finance and works solutions such as on-bill schemes
- The role of agents in coordinating local retrofit activity, aggregating demand and reducing costs

**Tighten compliance and enforcement routes** to ensure fair outcomes for tenants by:

- Ensuring tenant protections are adequately robust
- Provide adequate funding for enforcement bodies
- Raise awareness of advice on compliance and enforcement to tenants and landlords

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