

Improving the Energy Efficiency of Socially Rented Homes in England

Response from the Northern Housing Consortium

About us

The Northern Housing Consortium (NHC) is a membership organisation for housing associations, local authorities, ALMOs and combined authorities in the North of England. Nine out of ten socially rented homes in the North of England are owned or managed by NHC members.

The NHC brings together housing in the North to develop insight, influence and solutions to create better homes and places. We work to support members to deliver our vision of that everyone in the North has a safe, warm home that's affordable to them, in a place they're proud of.

Introductory comments

We welcome the opportunity to respond to the consultation on introducing new Minimum Energy Efficiency Standards in the social rented sector. We support the government's goal of improving domestic energy efficiency, reducing energy bills for tenants and tackling fuel poverty.

Social housing providers in the North have already made significant progress on improving the energy efficiency of their homes in recent years. The social rented sector is now by far the most energy efficient tenure and in the North over 62% of all homes have achieved EPC Band C compared with less than 44% in the private rented sector. This has brought significant benefits to residents including warmer homes and lower energy bills, as well as helping drive growth of the green homes supply chain.

Our members are committed to continuing this journey towards Net Zero, however, to bring the best outcomes the new standards must account for a number of practical constraints and interdependencies.

- **MEES must be looked at holistically as part of a package legislation to improve quality of homes** – it cannot be seen in isolation from other proposed regulation including the revised Decent Homes Standard, and Awaab's Law. It is important to consider how providers can implement these standards simultaneously and efficiently what the overall costs will be, balanced with rental income and grants, and the trade off with building new social housing, a key Government objective.
- **Confirmation of all directly related legislation**, such as the new EPC assessment criteria, is needed as soon as possible to allow providers to plan their work programme.

- **We support the proposed 10-year £10,000 spend exemption.** Time-limited concessions based on cost are essential to avoid loss of social housing or uneconomic investment in hard-to-treat properties that would breach value-for-money criteria from the Social Housing Regulator. However, this £10,000 limit should include all the costs involved in works. This issue is more acute in the North of England due to lower rents and property values.
- **A fabric performance metric only, by 2030, is the only practical option that reflects the reality of the existing supply chain and can be implemented within existing business plans.** It would provide firm foundations to bring in additional heating system and smart readiness metrics later. Including additional metrics now could have the unintentional effect of reducing the number of residents who benefit. The cost associated with these metrics would increase exemptions and supply chain availability could hamper roll out.

Landlords will need clear, practical guidance to meet new obligations. Tenants must be actively engaged and supported in using energy efficiency measures and low-carbon heating technologies to fully realise the benefits. Social housing providers in the North already work closely with tenants on energy efficiency measures.

Our detailed response, following consultation with members, is set out below. However until the sector has clarity on the final design of the Home Energy Model (HEM), the government's reformed Energy Performance Certificate (EPC) framework, and where the minimum standard (i.e. 'the target') will be set on any of the new EPC metrics, it is extremely challenging to provide an informed view on many of the individual MEES consultation questions. Members have informed us that the current consultation does not give them a meaningful opportunity to put forward their views because of the uncertainty with the metrics. We do, however, want to stress that we share the government's goal of having a MEES policy that provides warm homes for residents, is affordable and deliverable for the sector, and supports progress to wider government priorities.

Question 1: Do you agree that the government's preferred option (option 1- dual metric approach) to set a minimum energy efficiency standard for the SRS is the most suitable option?

NO

We cannot currently support the government's preferred option as a realistic, deliverable approach.

- This option significantly increases the cost on top of existing business plans, meaning there is less resource for other priorities such as building new homes, a top Government priority, and meeting the Decent Homes Standard. As an example, a Registered Provider, with 35,000 homes told us:
"The implications of costs linked to the Minimum Energy Efficiency Standards has been modelled separately and will cost us an additional £48.8 million on top of what is currently in our business plan between now and 2030. MEES has the effect of bringing forward our planned net zero spend on solar PV but still increases our total spend on solar PV between now and 2050 by £48.3 million, as MEES requires more PV installations than our net zero model."

- Our members told us that they are not currently confident that the cost assumptions provided in the impact assessment accurately reflect the additional investment that will be required to be compliant. This uncertainty is likely to be the case until the final details of the Home Energy Model and wider EPC reform have been published, as well clarification as to what level Minimum Energy Efficiency Standards will be set for each metric.
- Members report to us that their attempts to plan and deliver an increased roll out of technologies such as solar PV or heat pumps are limited by capacity constraints facing the electricity grid.
- The supply chain for delivering energy retrofit is still under-developed. The Warm Homes Plan is helping to provide the confidence the market needs for supply chain organisations to scale up. However, building the supply chain and skills pipeline will take time. Providers have concerns about delivery against the preferred option within the short timescale and current market conditions. By pressing ahead in the context of an under-developed supply chain Government risks driving worse value-for-money as providers have to rush to market at the same time, a major issue found in the wave-based structure on the Social Housing Decarbonisation Fund, highlighted by our [*Warm Homes, Green Jobs*](#) research.
- The government must do further work to understand the complex trade-offs and challenges associated with the Smart and Heating targets, and undertake further consultation with the social housing sector, residents, and wider health, housing, retrofit, and fuel poverty stakeholders, before putting the targets in place.
- The aim of omitting the secondary metrics is to maximise bill savings for residents by significantly reducing space heating demand, to ensure heat pumps are as cheap as possible to run when they are installed in the future, and to protect sufficient capacity in sector finances for building new social homes (and other regulatory spending requirements).

Question 2: If you do not agree, which, if any, of the other metric options outlined would be your preferred approach to set a minimum energy efficiency standard for the SRS?

Option 2: A fabric performance metric only, by 2030

- Fabric improvements are the most familiar and scalable measures available to providers and are widely recognised as the most effective route to immediately improving outcomes for tenants, particularly in terms of energy cost savings and thermal comfort. This option builds upon the energy efficiency improvements already made to social homes in the North by providers. Fabric First is the most practical to deliver within existing supply chains and current levels of green skills in the workforce.
- Our members tell us that this option will align more closely with the approach currently being taken with investment in fabric improvements being prioritised.

- This option aligns to business plans which have, for the most part, included the costs of a fabric-first approach to delivering energy efficiency improvements to EER C by 2030, under the existing EPC framework.¹
- A fabric performance metric would guarantee tangible benefits for residents through reduced energy bills, whereas these benefits are less immediately obvious for other improvements such as the installation of electrical heating systems and smart technologies.
- Following this, additional heating system and smart readiness metrics could be introduced at some point in the 2030s or 2040s, as significant milestones towards the overall goal of achieving net zero by 2050. We would like the government to do more work with the sector, with residents, and with other stakeholders, to explore how, and when, to set the secondary metric targets. This could be achieved through the establishment of an expert working group – which could be an expansion of the existing Sounding Board.

Question 5: Do you agree with the proposal for social homes to comply with MEES by 1 April 2030?

Yes – with caveat

Feedback from our members indicates that while the 2030 target is challenging, it remains achievable, provided key conditions are met. These include the finalisation of metrics by 2025/26, the establishment of adequate and consistent funding streams, and the early publication of guidance to landlords. This will enable them to plan effectively, procure necessary services, and build the required capacity.

The majority of our members have already incorporated the costs of meeting EPC C by 2030 into their business plan, with varying assumptions around the levels of grant funding that will be available to deliver this.

It is essential that the implementation timeline takes into account the broader regulatory context. Social landlords are concurrently preparing for other major reforms, such as the revised Decent Homes Standard, which will require substantial parallel investment. Providing sufficient lead-in time will enable landlords to prioritise and sequence works effectively and to align MEES delivery with wider stock investment programmes, generating efficiencies and ensuring the best possible value-for-money in delivery.

Question 7: Do you agree with the government proposal to set a time-limited spend exemption?

Yes

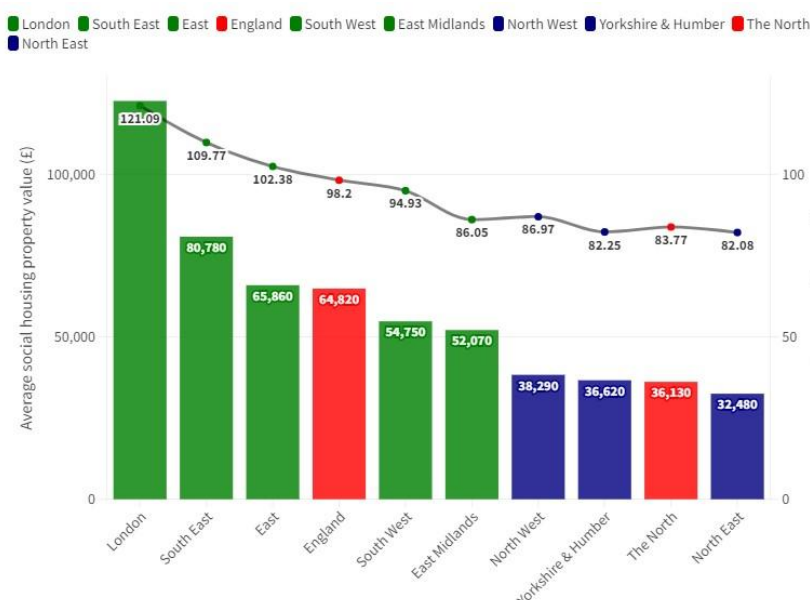
This mechanism will provide Registered Providers with the certainty and clarity needed to plan effectively for MEES compliance. Knowing there is a defined upper

¹ Points made here about minimal disruption and business plan impacts for landlords are based on the assumption that compliance with any new fabric metric would not incur significantly higher costs than what landlords have currently planned to achieve EPC C by 2030 on the EER already. This is not certain until the final details of proposals and other associated work in this area is finalised by government.

cost threshold allows RPs to assess feasibility and allocate resources with confidence.

It is also important to stress that essentially wherever the final MEES standards are set there will be a portion of the housing stock where the costs of ensuring compliance with MEES will be cost-prohibitive. If providers were required to ensure compliance regardless of the cost, this would ultimately be an incredibly inefficient use of the sector's finite funds and would run counter to the Regulator of Social Housing's expectations of financial viability and efficient investment. Without a spend exemption, it is highly likely that landlords would be forced to increase plans for disposal or demolition of properties in the run up to the implementation of MEES, something the sector would not wish to see and would lead to a perverse outcome of less social housing in the context of significant housing need without improving the energy efficiency performance of those homes lost. The cost of making some properties compliant would mean they were no longer financially viable. The introduction of the time-limited spend exemption is an important tool to prevent loss of important social homes.

This is likely to be more of an acute issue in the North of England, where both property values and rent levels are lower than in other areas of the country, while retrofit costs are relatively similar. General needs rents in the North are approximately 15% below the English average, while social housing property values are 44% below the English average. The chart below shows the average property value of a social home and average rent level in each English region, using data from the Regulator of Social Housing.



Question 8: Government has considered three options for setting maximum required investment under a spend exemption. Comparing these options, which do you think is most appropriate for the SRS?

Set it at £10,000 (Govt preferred approach)

We support the Government's preferred option to set the spend exemption at £10,000.

- This will provide a clear and consistent framework to plan retrofit investments and assess compliance feasibility.
- The approach helps ensure that MEES does not place disproportionate financial pressure on providers managing high levels of older or more complex stock. Without this exemption providers would be expected to make sure homes met MEES, even when the level of investment could not be justified on economic grounds.
- However, it is essential that the Government clarifies what the £10,000 cap includes and whether this figure will increase in line with inflation. We recommend that the cap should cover total expenditure, including grant-funding, and should cover VAT as well as Administration & Ancillary (A&A) costs associated with energy efficiency upgrades, including the costs to demonstrate compliance with PAS.

Additional clarity on whether the exemption will cover investment that has already been made is needed. For example, if a landlord has already spent £9,000 on an individual non-compliant property, and the relevant required measure to ensure compliance would cost £3,000, would a provider be required to install this measure, or could an exemption be sought?

Question 9: Do you agree with government's proposal for any time limited spend exemption to be valid for 10 years from 1 April 2030?

Yes

The timeframe aligns with the operational realities of Registered Providers, many of whom will have completed their initial rounds of MEES compliance work by 2030.

A 10-year exemption offers the best balance between fairness and forward planning. It allows for a strategic pause and reassessment of properties that were deemed unable to be compliant by 2030, rather than forcing providers to continue to make inefficient investments, or to dispose or demolish properties without having sufficient time to put plans in place for replacement homes.

Question 12: Are you aware of any other circumstances where individual dwellings could not meet the standard, but which are not covered by either applying the DHS exemptions to MEES or the time limited spend exemption?

Yes

We believe that there is a case to explore a potential archetype-based exemption system, or for some or all post-war tower blocks to be made exempt.

[Our own research](#) into northern housing stock estimates that 1.9% of social homes in the North (25,500) will be unable to meet future regulatory requirements between now and 2030, due to physical or structural constraints. The primary reason for this was the inability of relevant properties to meet emerging energy efficiency standards.

One clear conclusion from this research was that certain property archetypes are causing disproportionate concern for landlords, with repairs and maintenance costs significantly above average, and uncertainty as to whether it is possible for them to remain financially sustainable assets in the future.

We are certain that these issues and subsequent discussions will be increasingly common in the coming years, as such blocks age further, and are concerned that the implementation of MEES risks both increasing the proportion of blocks that are deemed no longer financially viable, and accelerate the rate at which landlords begin options appraisals before disposal and/or demolition.

As such an archetype-based exemption would provide a more pragmatic and transparent route, allowing landlords to avoid unnecessary expenditure on properties that are structurally incapable of compliance, and instead focus investment where it can deliver meaningful outcomes, whilst crucially safeguarding stock from premature disposal.

Our members also told us there are circumstances with leasehold properties and with where customers have refused energy efficiency upgrades where homes could be at risk of not meeting MEES. Our members work hard to ensure customers are supported throughout the process, and our [Heartwarming Homes](#) resources are supporting them to do this. However, there are still some circumstances where upgrades are refused.

Question 13: Do you agree that properties that meet an EPC (EER) rating of C prior to the introduction of new EPCs should be recognised as compliant with the future standard until their current EPC expires or is replaced?

Yes

The North's social housing sector has invested heavily to improve the energy efficiency of existing homes, so that it is now by far the most energy efficient tenure across the North, with 62% of northern social homes meeting the current EPC Band C. Our [Real Homes Real Change](#) webpage highlights some examples of work that's happened across the North and the impact this investment has had on residents' lives.

A transition mechanism, such as has been proposed, is an important way to recognise the investments made by social landlords already, while moving to a new, more ambitious regulatory framework.

Clear and timely communication will be critical to support the transition from the current to the new EPC standards. This will help prevent confusion and avoid providers completing work on homes that does not align with long-term goals around low-carbon heating, fuel poverty reduction, or decarbonisation.

Question 14: Do you agree with government's proposal that, as an EPC reform transition measure, properties that have achieved EER C from the introduction of new EPCs until 1 April 2028 should be considered compliant until the property's EPC expires, after which they would need to comply with MEES?

Yes

This transitional measure will minimise the immediate disturbance to retrofit plans. In addition, this transition period will allow Wave 3 of the Warm Homes: Social Housing Fund to be delivered as planned.

However, Registered Providers require clarity on the proposal in the Home Energy Model to reduce the validity period of EPC ratings from 10 to 5 years. This would double a landlord's financial outlay on EPC assessments. On top of this, members have told us there are existing capacity issues across the North with EPC assessors, which are driving up costs. The combination of these two issues risks significantly increasing expenditure on EPC assessments, reducing the funds available for increasing the energy efficiency of homes.

Question 15: If government's proposed approach is implemented, which of the following courses of action do you think registered providers of social housing would take where homes currently meet EER C? (Subject to the new EPC system being introduced in 2026)

- Renew EPCs before the introduction of the new EPC system and comply ten years later.
- Renew EPCs when they expire and demonstrate compliance under EER C until required to meet MEES using new EPC metrics in the early 2030s.

Registered providers are likely to take a mix of the two approaches.

Question 16: If the government's proposed approach is implemented, which of the following courses of action do you think registered providers of social housing would take for homes that do not currently meet EER C?

- Improve homes to EER C by 1 April 2028 to demonstrate compliance under EER C for the rest of the EPC validity period, then carry out any additional work needed to meet MEES using new metrics.
- Improve homes to meet MEES using new EPC metrics by 1 April 2030.

We expect that providers would do a mixture of both of the above, depending on pre-existing investment and retrofit plans, the requirements of specific property archetypes, grant availability and the financial position of the landlord in question.

The actions will depend on the final policy, including where the target is set and the cost cap.

Question 32: What actions should government consider implementing to increase the number of smart meters installed in the social rented sector? (Select all that apply)

Support national and/or local campaign activity to engage social landlords and tenants and raise awareness of smart metering.

We support the Government working with the sector and tenant groups to advertise the benefits of smart meters to increase the number of residents having them installed.

Some landlords also work with energy providers to coordinate installation of smart metres in empty homes, when possible. However, it is not always down to the landlord as to when these are installed. Feedback from members has suggested that landlord involvement in the installation of smart metres in the homes of existing tenants could damage landlord / tenant relationships, if the tenant does not want a smart meter. If included as a metric in MEES it could potentially increase cases

where landlords cannot access homes to complete retrofit work and reduce effectiveness of the government's aims to increase home energy efficiency.

As a result, we do not believe there should be any new obligations on social landlords regarding the installation of smart meters. This includes the proposed inclusion of any smart readiness metrics under MEES.

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