Championing better homes and communities

Consultation on Improving the energy efficiency of socially rented homes in England

MHCLG and DESNZ

September 2025

Introduction

The NFA (National Federation of ALMOs) is the trade body which represents arms-length management organisations across England. All are not-for-profit bodies wholly owned by their parent councils, created to manage council-owned housing and deliver housing-related services.

The NFA represents 15 ALMOs across the country managing around 170,000 local authority-owned properties. ALMOs also build and acquire new stock. They deliver housing services for tenants and their wider communities.

We have not provided a response to the questions directly as these are most relevant for our individual members. However, we have set out the broad concerns that our members and Tenant Advisory Panel have raised with us in relation to the consultation.

For further information on any of the points, please contact Lisa Birchall, NFA Head of Policy on lisa.birchall@almos.org.uk.

Overview

The NFA has responded to the government's consultations on convergence, the Decent Homes Standard, and Minimum Energy Efficiency Standards (MEES), and we think it's important these responses are viewed as part of the same picture. In summary:

1. We welcome the government's commitment to CPI +1% rent increases and would like to see convergence of £2 a week from 2026. However, as Savills[1] research shows, this only brings the national HRA into surplus by 2035/36. Rent increases and convergence will enable the sector to start to get itself back to a sustainable financial footing after years of cuts and increasing costs following the Self-Financing Settlement in 2012. However, on a national level, it will not cover all the new requirements, including those associated with the reviewed Decent Homes Standard.
   There is significant variation across the country with some HRAs in a better position than others, which will be demonstrated by the evidence that individual local authorities submit

[1] https://www.almos.org.uk/policy/consultations/rent-consultation-update-convergence-update/

to the consultations. There are also substantial issues with an ageing stock and certain property archetypes which are being felt in some local authorities more than others. However, our members are saying that the majority of rent increase/convergence income is likely to be directed to maintaining existing homes.

2. Our members are committed to the government's ambition to build a new generation of council homes, and we were pleased to see the significant funding available through the Social and Affordable Homes Programme. Council housing is a key part of the sector and councils have the potential and desire to expand their house building programmes, recognising that new build is a core part of any sustainable long-term business plan. As well as fundamentally tackling the homelessness and temporary accommodation crisis, building at scale will bring much needed rental income into the HRA without the corresponding repairs and maintenance expenditure pressures of existing older homes, therefore creating capacity in business plans. It will also have a massive impact on the government's private rented sector housing benefit spend by shifting spend from the welfare budget to bricks and mortar.

3. However, the Savills figures show that there is a balancing act for government between the sector investing in existing homes, and building new homes within the HRA. Increasing the requirements and costs for managing existing homes will impact on the capacity for new build. It will impact financially, but also in terms of uncertainty (particularly in relation to the unknowns around the costs associated with Awaab's Law, MEES and the DHS).

4. In order to facilitate council house building at scale within the next 5-10 years, government needs to free-up capacity within HRAs. This is likely to need a mixture of additional grant funding for new requirements to existing homes (for example a Green and Decent Homes Programme) and a recalculating of HRA debt, as well as higher grant rates per new build property.

   Fundamentally, government needs to determine what council housing rents should be paying for and what should be picked up as a central cost through grant. We need an honest conversation about the distance that the local authority sector has been shifted over the last 12 years from the self-financing settlement and the principle that HRAs should manage the requirements of existing homes through their rental income. It might be argued that policy is currently being determined using a rulebook which is no longer fit for purpose.

5. We know there has been significant progress made over the last couple of years to recognise the value of council housing, invest in existing and new homes, and provide clarity on the regulatory environment that our members are operating in, and we welcome the steps that have been taken. We also support the government's core commitments to

ensure decent, high-quality homes to social housing tenants, build new homes, and reduce homelessness. We know that the trade-offs and policy levers are complex. ALMOs were born out of the first Labour Decent Homes Programme and are a testament to what can be achieved for council housing tenants with a strong vision and strategy, the combination of funding and regulation, innovation, and a core housing management focus. The NFA and our members are keen to continue to work with government to learn from this largescale programme, and ensure the foundations of council housing are strong enough to meet all the government's long-term priorities.

Minimum Energy Efficiency Standard proposals

We understand that there is a complex balancing act in designing a policy which delivers warmer, affordable homes for tenants, supports the government's decarbonisation agenda, and leaves sufficient capacity for new build. We support the government's overall intentions and would be pleased to work with the government to design a policy that balances these requirements.

In particular, we want to ensure that the focus on tenant warmth and affordability of energy bills remains a priority, and that there are no unintended consequences for tenants of moving to the dual approach, such as higher energy bills.

We have set out the difficulties with the proposed approach below, and follow with some recommendations for government.

1.Difficulties with the proposals

Our members have significant concerns with the MEES policy as set out in the consultation documents. The main reasons for this are:

- The uncertainties around the target metrics through the EPC reform and changes to the Home Energy Model (HEM) make it difficult to understand how the proposals will work in practice and what the implications will be across a landlord's housing stock; in particular, where the minimum regulatory standard will sit and decisions in relation to low-carbon heating and gas boilers. Where our members have modelled SAP10, it suggests that a not insubstantial number of properties currently rated EPC C (and which were therefore not included in business plans) will drop to an EPC D, driving significant unplanned expenditure. There are also outstanding questions around the Warm Homes funding, as well as around requirements for the Decent Homes Standard.
  Members are also likely to pause existing retrofit plans until clarity on MEES and EPC reforms is provided, leading to a period of uncertainty and reduced delivery momentum.

- The sector has been working towards EPC C by 2030 largely on a fabric-first basis. The driving principle behind this has been to make sure tenants' homes are warm and to reduce energy bills, and to make properties ready for further decarbonisation work. Business plans up to 2030 are already set with investment per property planned. Members have expressed the view that the new proposals shift the goalposts and leave insufficient time for them to achieve them. While the response to the MEES consultation is due this year, members need the decisions on the EPC reform and HEM to familiarise themselves with the changes, undertake energy modelling, revise retrofit programmes and wider business plan programmes, set up their internal systems and reassess data systems to accommodate new metrics, and secure grant funding, even before undertaking the work.

- Members have expressed real concerns that installing low carbon heating will raise bills for tenants, and feel there is a potential that government is moving too fast on this. In our conversations with the Tenant Advisory Panel, tenants expressed similar concerns. Unlike traditional heating systems, heat pumps do not provide instant warmth and may be difficult for tenants to operate efficiently, potentially leading to higher running costs or under-use.

- There is a wider point which we have made across the government's consultations about HRA sustainability, cuts to income since the self-financing settlement, the increase to regulatory and legislative burdens, and sky-rocketing inflation. While some of our members are on track to meet EPC C by 2030 (on existing metrics) that is not the case across all our members. There are a number of reasons for this, but fundamentally Housing Revenue Accounts are under severe pressure, members have ageing stock with significant challenges or high levels of non-traditional stock, competing priorities (for example in fire and building safety, damp and mould compliance work, and reaching regulatory compliance with the new Consumer Standards); and, in some areas, rent levels that are set too low to provide the necessary income to cover the costs of managing homes. Historically, grant funding has been short-term and piecemeal which has not helped the sector with long-term planning. MEES sits alongside a number of new burdens that Housing Revenue Account business plans are expected to absorb, and in many cases, there is just not the capacity to absorb them, even with the rent settlement and rent convergence. This is before you add on the additional costs linked to the new proposals.

- Members have real concerns about whether there is sufficient technical expertise to deliver MEES by 2030, particularly at the same time the Future Homes Standard rolls out. There are also concerns with the quality of heat pumps and heat pump installations; as well as problems with Solar PV and the capacity of grids. These are mostly outside the control of landlords, but will have a massive impact on the achievability of proposals.

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Members have also expressed concerns with the delays to the Building Safety Regulator gateway approvals.

- There are concerns about the potential for EPCs to become an enormous drain on our members if they are required every five years, taking money away from asset management programmes. It would be better for EPCs to be required at certain trigger points (for example following a turnover of tenancy or major works to a property).

- Although we agree with the principle of an exemption to limit spend on properties which are economically unviable or technically difficult to retrofit, we think the £10k proposal needs more thinking through with technical experts from the sector before it is agreed.
  - Firstly, it will be a bureaucratic nightmare for our members who are managing thousands of properties and develop asset management programmes across the whole of their stock. This differs from private landlords who are managing a much smaller number of properties. Basing it on actual spend will make it very complex to manage and is likely to drive perverse outcomes.
  - Secondly, there are so many unknowns in relation to the design of the MEES policy, the Warm Homes Grant programme, and additional spend which will be required for other policy areas (for example the Decent Homes Programme). Commenting on whether £10,000 is an acceptable level to set the cap at is very difficult without getting these pieces of the picture in place.
  - Thirdly, retrofit costs are only a part of the money that landlords will be spending on a property as part of their long-term asset management plans. For many properties, a massive amount of expensive enabling works will have to take place as part of the retrofit (sometimes unanticipated). Landlords will also be tying together works to meet other requirements, including building and fire safety and Decent Homes. It is not clear how the cap will work in relation to these costs and how a landlord could effectively separate them out. However, if the meter to £10k starts ticking only at the measure which increases SAP/HEM, then landlords will be forced to incur huge additional costs to get to that point.
  - Fourth, some of our members have pointed out that they currently have strategies to achieve EPC-C compliance against RdSAP through cost-effective measures which are far below £10,000 per property. Moving to EPC EER is likely to render these strategies void and leave a significant budget shortfall, since budgets do not account for spending up to £10,000 per property.
  - Finally, we have real concerns that unless landlords have additional specific grant funding to undertake works on the difficult-to-decarbonise properties (which are colder and more expensive to heat) these properties will get left behind, leaving tenants with the coldest and hardest to heat homes. This includes properties such

as flats, solid wall properties and heritage buildings. It is likely to drive a wave of disposals from the whole social housing sector which will not support either the government's plans to increase the council housing stock, nor to decarbonise homes cross-tenure.

- It states in the proposals that any spend exemptions will be time-limited for 10 years, by the end of which the property would be expected to meet the standard in full. For many properties, it will be economically and practically difficult (if not impossible) to meet the standard even with another 10 years. It is not clear from the consultation what the plan will be for these properties, but MHCLG risks an uncoordinated disposals programme that shifts them into the private rented sector.

- The proposals provide exemptions for 'no access', but it is not clear whether this extends to 'tenant refusals'. It would be good to clarify that a tenant refusing to have the works done would be valid within the exemption regime. However, guidance and best practice should be provided for the sector to help landlords to reduce or mitigate tenant refusals.

- We recognise that the impact assessment is a work in progress and that feedback from social landlords will help shape the final assessment; however, general feedback from our members is that it currently severely under-estimates the costs of achieving the policy by 2030. The final impact assessment needs to be based on a realistic assessment of how much the final policy will cost, but that then either needs to be tied to the level of grant funding available for the sector and drive changes to the proposals to extend the length of time providers have to meet the requirements.

    For example, the impact assessment estimates that providers will need to spend between £4,488 and £5,292 for achieving Option 1. A fabric-first approach such as over-cladding can cost more than £12,000; air source heat pumps are around £14-16k; Solar PV is around £6.500; triple glazing for a property is around £9,000; internal cladding £12,000, and ground source heat pumps around £18,000. This is without taking into account enabling works and ancillary costs.

- The self-financing settlement was based on component replacement costs and lifecycles for – in effect - pre-decarbonisation components. Every new item that is added to a building (e.g. solar panels or EWI) will require an ongoing maintenance and replacement programme; while air source heat pumps are much more expensive than gas boilers and need replacing more frequently. Over a 30-year business plan, these additional costs are substantial, and expecting them to be absorbed into tenants' rents is unrealistic.

- Our members would **strongly not support** an obligation for social landlords to ensure their properties contain smart meters, regardless of whether the landlord to the tenant pays the energy bill. This would include a requirement for landlords to arrange for smart meters to be installed: this should remain the responsibility of the energy sector.

Members support efforts to promote smart meter uptake, but in the vast majority of properties, tenants are responsible for selecting their energy provider and managing their utility bills. Tenants need to make their own decisions about whether they want a smart meter, and mandating installation is likely to risk damaging the tenant/landlord relationship.

2. Proposed changes to the proposals

We think the level of uncertainty around the consultation makes it difficult to firmly respond to the various proposals. Taking this into consideration, we recommend the following:

1. There is a finite pot of money and trade offs will be needed between the rate and standard at which existing homes are decarbonised, and the money available for new homes. Largely speaking, the closer the proposed standard is to the trajectory the sector is already on, the easier and more affordable it will be to achieve by 2030.
2. Recognising that many – if not the majority of – local authority HRAs do not have the capacity to deliver the MEES preferred option proposals by 2030, either financially or operationally, we would propose a technical group made up of housing sector professionals, energy professionals and technical experts. This group should look at the proposals in the light of decisions on target metrics and develop something which is more achievable, but which also maintains the focus on warm homes and reducing energy bills. Options might include:
    i. Phasing in MEES, so that providers need to meet a certain standard (on fabric) by 2030, and then additional measures by a later date. This would be more in line with what the sector is currently working towards and would phase in costs over a longer period, potentially enabling more resources to be spent on new build. Exemptions or alternatives could be designed in for properties which cannot meet a fabric standard, and a more flexible approach used to make sure that the right improvements are made in the right homes.
    To achieve this, we would propose making an early decision on the Fabric first by 2030 and then working with the sector on issues associated with the secondary metrics before setting target dates.
    ii. Consider how properties with efficient gas-condensing boilers are managed within the standard. Providers are working towards a 2035 deadline for moving away from gas boilers, but many properties have a perfectly functional, efficient boiler that heats the property far more cost-effectively than an air source heat pump will. This needs to be seriously considered when designing the standard.

iii. Developing a cost-cap mechanism which better fits with the way that social housing providers plan their asset management programmes and investment in homes.
iv. Look at how landlords can demonstrate to the Regulator that there are homes which have not reached MEES by the target date but are part of a wider planned programme to do so (for example as part of a roof replacement programme or electrical re-wiring programme).

3. Government should recognise the significant costs involved in updating EPCs, and should make it clear that EPC renewals are only required at specific trigger points (e.g. re-let or after energy efficiency measures are installed) to minimise costs. Government should also consider allowing social housing providers to use their data to develop more accurate assessments of their properties rather than relying on external EPCs which are often inaccurate.

4. Government should provide a more complete impact assessment of the proposals which looks wider than just the costs of measures to increase the SAP/HEM score, and covers both the initial costs and ongoing maintenance of properties, and provides a more realistic analysis of the familiarisation costs for the sector. This should clearly link to grant funding programmes and the design of the cost cap.

5. Rather than creating an obligation for social landlords to ensure their properties contain smart meters, we think government should:

    a. Support national and local campaigns to raise awareness of smart meters.
    b. Support social landlords to actively promote smart metering to their tenants, e.g. through information leaflets and templates for communications.

6. Government should consider whether to introduce a cost-sharing mechanism between landlord, tenant and government in cases where properties are further improved from an EPC C to a B or A. After landlords have reached a baseline of EPC C with support from grant funding, any further works to the property to reach EPC B or A could be accompanied by a service charge to share a proportion of the cost of upgrading. This would reflect the lower energy costs the tenant is benefitting from, and would encourage/ enable providers to continue to improve the energy efficiency of homes beyond EPC C.