

Improving the energy efficiency of socially rented homes in England



Response of the Association of Retained Council Housing

About ARCH

ARCH (Association of Retained Council Housing) is an association of councils in England that have retained ownership and management of their council homes. We aim to get the best deal for councils and their tenants. 143 local authorities own and manage over 1.4 million homes, and we are here to make sure that a positive future for council housing is secured.

Introduction

In our submissions to the 2024 consultation on social rent policy and to Spending Review 2025, we presented evidence, included detailed research commissioned from Savills, to show that expected rent income from the proposed CPI + 1% rent increase policy, even if extended over ten years, would be insufficient to meet the need to spend on the housing stock over the same period in most local authorities. Adoption of a rent convergence policy, as proposed in the recently closed consultation, would improve the position in the long-term, bringing the national HRA back into balance within 10 years. But a short-term deficit remains, cumulating to around £5 bn by 2030. Local authorities are expected, rightly, to ensure homes comply with the existing and updated Decent Homes Standard, as well as meeting new Fire and Building Safety requirements and complying with Awaab's Law and other new regulatory requirements. All of these are necessary but, as yet, Government has not answered the question of how simultaneous compliance with all of them can be funded from expected resources. Against this background, compliance with a MEES will not be feasible for the great majority of local authorities without adequate dedicated financial support from Government. We do not yet know whether the Warm Homes Fund will provide this.

Our members support the introduction of a Minimum Energy Efficiency Standard as part of an updated Decent Homes Standard, but have major concerns about the proposals on which the Government is consulting. Our overarching concern is that the consultation is premature, for two reasons. The first is that we do not think it possible to give a definite or final answer on the proposed options for the MEES metric until the proposed grades for each of the metrics are finalised. In particular, different heating system metric gradings could make a huge difference to the incentives to replace existing energy-efficient gas boilers before the end of their useful lives.

The second relates to funding. The consultation paper notes that most PRPs are on track to achieve EPC C in all their stock by 2030. Local authorities are not mentioned. Despite the absence of any formal target, most local authorities have, like PRPs, set an ambition to reach EPC C by 2030. Some are on track; others have simply not been able to fund the investment. Partly, this is because they have been unable to take advantage of support from earlier waves of SHDF funding, often because they were unable to provide the matching funding demanded as a condition of the scheme. In consulting on MEES before, or without offering, consultation on the new Warm Homes Fund, the

Government is tackling things the wrong way round. It will only be possible to give a definite answer on the feasibility of compliance with MEES by 2030 when funding arrangements are finalised.

Our answers on the specific consultation questions that are relevant to us as an association of providers as opposed to a RP, follow.

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

Don't know.

The practical impact of the various options cannot be accurately estimated until the gradings for each of the metrics have been finalised. It is not sensible to pick an option without being able to assess its impact. Without the gradings, the safest option to choose at this time would appear to be option 2 on the basis that it is closest to current practice.

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

Don't know.

The answer to this depends crucially on the details of the MEES chosen and the level of Government financial assistance available to help meet it. In general, the closer the MEES is to the current EPC C the easier it will be for most local authorities to comply by 2030.

Although we understand why the Government wishes to set an earlier compliance date for MEES than the rest of the new Decent Homes Standard, and support this ambition, we also think insufficient thought has been given to the practical and financial implications of separating the timetables for different elements of the new DHS, so that upgrades of different kinds to the same properties will need to be tackled at different times, with potentially added inconvenience for residents and duplication of work.

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

Yes.

However, we are reluctant to go firm on a maximum limit without a decision on the detail of the MEES, and some practical experience from local authorities and PRPs on the costs of complying with it. We would hesitate to accept the typical costings set out in the consultation paper as these do not correspond with the experience of at least some of our members.

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



Yes.

Questions 13 to 16

It is simply not possible to give sensible answers to these questions until final details of the MEES are known. At this stage, answers are more likely to be informed by guesses about these matters than measured consideration of the practical implications of the options canvassed.

Question 18: Do you foresee issues arising from installing energy efficiency measures in properties where the registered provider holds the freehold, but there are also leaseholders in the building?

Yes

This is a major issue for some local authorities where a high proportion of their housing stock (over 40% in one case) is owned by leaseholders. This causes considerable legal, financial and practical challenges, too complex to be easily summarised in this response. We would welcome a separate discussion with officials to allow affected authorities to explain these in detail.