Final stage impact assessment

Title:	Improving the energy performance of socially rented homes
Type of measure:	Regulatory/Legislative
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Contact for enquiries:	decenthomesreview@communities.gov.uk
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1. Executive summary

This impact assessment (IA) accompanies the government response on setting Minimum Energy Efficiency Standards (MEES) in the Social Rented Sector (SRS), forming part of the existing Criterion D of the Decent Homes Standard (DHS). There is currently no Minimum Energy Efficiency Standard in the social rented sector. This is the first time MEES will be implemented in the SRS and will require registered providers of social housing (providers) to bring their social housing stock up to a standard of EPC C or equivalent based on new proposed Energy Performance Certificate (EPC) ratings.

Introducing MEES in the social rented sector will bring multiple benefits to social tenants, including improving health outcomes, reducing household bills and helping to tackle fuel poverty.

Improving the energy efficiency of social rented homes will also contribute towards government's commitments to reduce domestic carbon emissions and making Britain a clean energy superpower by 2030.

A consultation ran from 2 July to 12 September 2025 to seek views on proposals for the introduction of MEES in social rented homes in England. A consultation stage impact assessment was published alongside the consultation.[1]

Introducing MEES in the social rented sector is part of a wider series of reforms to ensure all social tenants have safe, warm and decent homes, including:

- Reforming what EPCs measure, replacing the current Energy Efficiency Rating (EER) and Environmental Impact Rating (EIR) metrics, which are based on energy-costs and CO2 emissions respectively, with multiple metrics to provide a more complete picture of a building's energy performance.
- Reviewing how EPCs are measured and replacing the current methodology used to estimate energy performance in homes with the new Home Energy Model (HEM).
- Updating the criteria in the Decent Homes Standard and introducing the new Minimum Energy Efficiency Standard at EPC C or equivalent as part of the criterion on thermal comfort.

In October 2025, government announced its final position that instead of using a standalone EER headline metric, EPCs would show multiple headline metrics for a more holistic view on property energy performance. These headline metrics are:

- Fabric performance: this metric measures a building's thermal performance - its ability to maintain a different temperature to its surroundings;
- Smart readiness: this metric aims to assess the building's potential to self-generate energy (usually from solar panels), and to integrate smart technologies that can optimise energy consumption and allow consumer-led flexibility in demand, to enable electricity bill savings. reflecting the ability to integrate smart energy technologies;
- Heating system: this metric is an assessment of the technologies in a dwelling which generate heat – for space heating (and cooling), hot water, and cooking; and

[1] Improving the energy efficiency of socially rented homes in England - GOV.UK

- Energy cost: reflecting the financial implications of energy use.

Government's final policy position is for social homes to meet **either the Fabric Performance, Smart Readiness or Heating System metric by 1 April 2030, followed by any one of the remaining metrics by 1 April 2039, with a £10,000 spend exemption and a transition date of 1 April 2030.** The IA considers the impact of this option versus two further shortlisted options, and the Business As Usual option.

Whilst many providers are taking positive steps to improve the energy efficiency of their existing housing stocks, other providers may prioritise other spending instead. Without new regulatory requirements, we cannot ensure that energy efficiency is a priority or that statutory fuel poverty or carbon budget targets would be met in time. Market failures and barriers are discussed in further detail in this IA.

Publishing this IA and the government response to the Consultation delivers on government's commitment to consult on introducing a standard of EPC C for the social rented sector. Following consideration of consultation responses, government has decided to introduce MEES for the SRS and is publishing this IA (alongside the government response) to provide certainty to providers, tenants, and the energy efficiency supply chain.

2. Introduction and problem under consideration

The policy is intended to introduce MEES in the SRS in England to ensure that action is taken to upgrade the energy efficiency of the sector. The regulatory proposal is intended to make progress against government's statutory fuel poverty and climate change commitments; reduce energy demand in the social rented sector, thereby lowering energy bills and improving energy security; improve thermal comfort and associated health benefits; and support green jobs and supply chain growth.

There are currently no minimum energy efficiency requirements in the SRS. The share of social homes with an EPC rating A-C has increased from 47% in 2014 to 74% in 2024[2] and most providers have plans in place to upgrade the remainder of their stock to at least EPC (EER) C by 2030. Setting a MEES in the SRS for the first time, using the new HEM metrics at EPC C or equivalent, will build on this momentum and provide certainty to registered providers on requirements so that they can plan and invest in current homes and in building new homes. Providers will need to reach EPC C or equivalent on 2 of these 3 HEM metrics – Fabric Performance, Smart Readiness and Heating System Efficiency to achieve compliance. Some properties may qualify for a full or partial exemption.

2.1. Current energy performance of SRS properties

Energy Performance

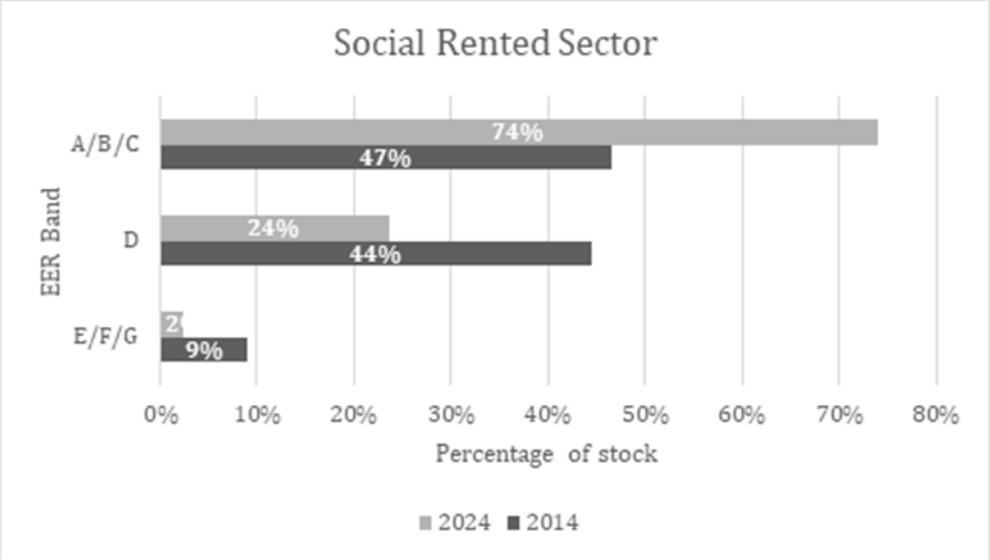
2 AT2_2 from Annex tables for English Housing Survey 2024 to 2025 headline findings on housing quality and energy efficiency - GOV.UK

In 2024-25, the Social Rented Sector (SRS) accounted for around 4.2 million households in England, representing 16% of England's housing stock. Of these, around 2.6 million homes are provided by housing associations and 1.6 million by local authorities.[3]

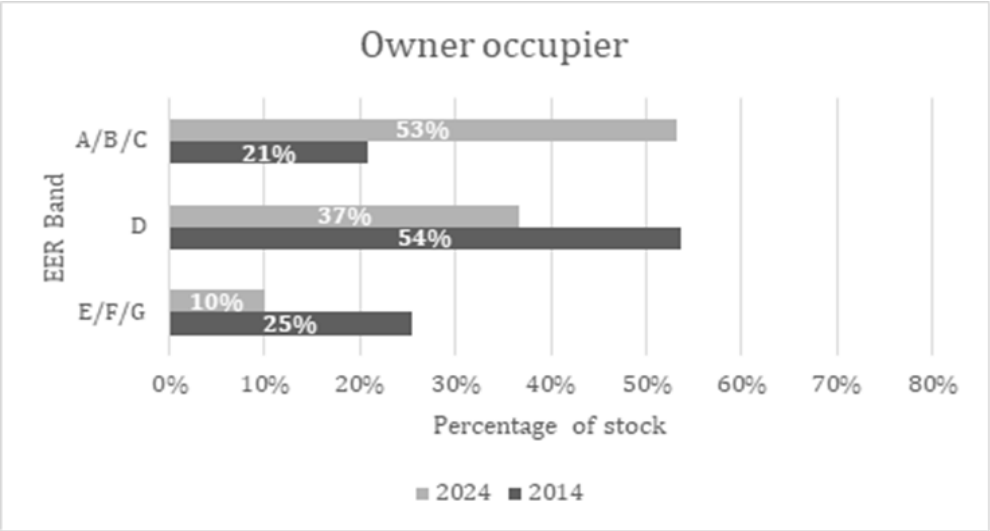
As shown in Figure 1, the SRS continues to outperform other tenures in terms of energy efficiency, with a higher proportion of properties rated at EER Band C or above. The SRS has seen substantial improvement over the past decade: between 2014 and 2024, the share of SRS homes rated EER Band C or above rose from 47% to 74%, while the proportion rated EER Band F/G fell from 1.5% to 0.5%.[4]

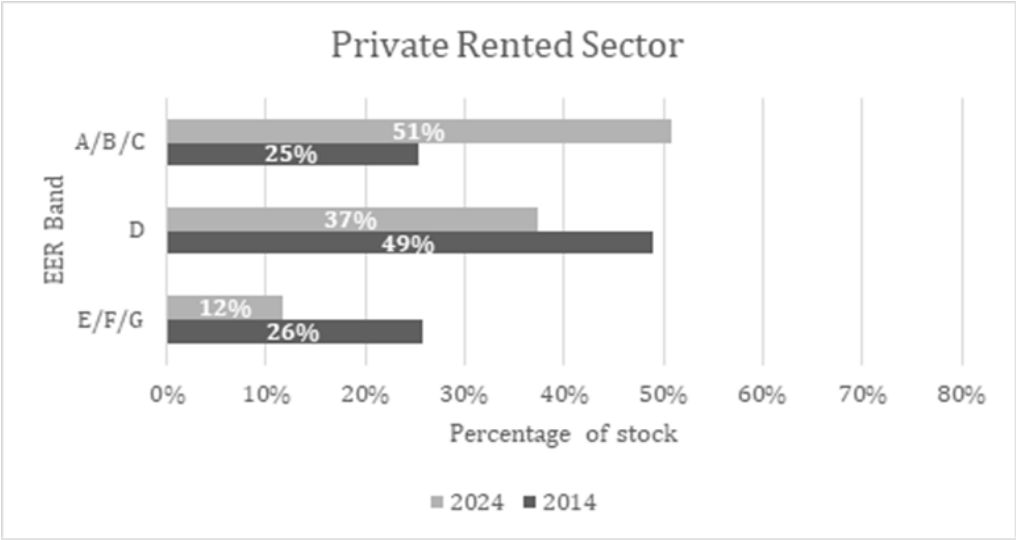
Multiple factors have driven this progress, including anticipation of an incoming regulatory standard and sustained government investment in energy efficiency upgrades. The main scheme supporting the sector is the Warm Homes: Social Housing Fund (WH:SHF). Since 2021, its predecessor – the Social Housing Decarbonisation Fund (SHDF) – has targeted energy performance improvements across social rented homes.[5] In the latest round of funding, WH:SHF Wave 3, government has committed £1.29 billion over three years to improve the EPC ratings of social homes, with a further £295m of funding committed to the scheme in the Warm Homes Plan for the FY 2026/27.[6] This investment is expected to improve a substantial proportion of homes currently below EPC C to at least that standard, contributing to warmer homes, reduced fuel poverty and lower carbon emissions. There are other schemes also contributing to energy improvements in the sector; full details are provided in Annex A.

Figure 1: EER Bands by Tenure, 2014 vs 2024[7]



[3] IBID reference 2
[4] IBID reference 2
[5] Social Housing Decarbonisation Fund statistics: https://www.gov.uk/government/collections/social-housing-decarbonisation-fund-statistics
[6] Warm Homes: Social Housing Fund Wave 3 – successful Social Housing Landlords including local authorities and housing associations - GOV.UK
[7] IBID reference 2





2.2 The need for further energy efficiency improvements in the SRS

Despite the improvements outlined in Section 2.1, 26% of SRS properties in England remain below EER Band C. This represents approximately 1.1 million social homes, affecting an estimated 2.4 million tenants,[8] that still require upgrades to improve their energy performance. Furthermore, while the proportion of social homes already meeting this or its equivalent threshold for 1 HEM metric is anticipated to be high, the number meeting 2 is substantially lower.

Further improvements are needed in order to:

Improve the decency of homes

Poorly insulated and expensive-to-heat properties expose social housing tenants to higher energy bills and increase the risk of cold, damp and uncomfortable living conditions. Energy-efficient homes maintain internal temperature more effectively, retaining heat in the winter

8 Annex tables for English Housing Survey 2024 to 2025 headline findings on demographics and household resilience - GOV.UK This is estimated based on 2.17 mean number of person per SRS household.

and staying cooler in the summer. There is also a strong link between low energy efficiency and damp and mould. Adequate insulation, ventilation, and heating help prevent condensation – one of the primary causes of damp and mould growth. In England in 2023, 20% of social housing tenants living in the least energy-efficient homes reported damp issues, compared with just 6% of renters in the most efficient homes.[9]

Achieve bill savings

Improved energy efficiency enables tenants to heat, light and power their homes more affordably. Under the final SRS MEES policy design, modelled analysis shows that tenants in upgraded properties are expected to achieve average annual bill savings of £203 by 2039. These savings will help reduce cost-of-living pressures on low-income households and improve financial resilience across the sector.

Tackle fuel poverty

Using the low-income, low energy efficiency (LILEE) definition of fuel poverty, 13.1% of social housing tenants are fuel poor, rising to 54.5% among those in homes below EPC Band C (around 535,000 households).[10] Social housing tenants typically have lower income, meaning that improving the least efficient homes has a large impact. The final MEES policy is expected to remove 323,000 homes from fuel poverty by 2030, supporting government's statutory fuel poverty target to upgrade as many fuel poor homes as reasonably practicable to a minimum energy efficiency rating of EER Band C by 2030. The full Fuel Poverty Strategy for England can be found here: Fuel Poverty Strategy for England - GOV.UK.

Reduce carbon emissions

Homes produce around 20% of UK greenhouse gas emissions, mostly driven by the burning of fossil-fuels for heating. In England, 83% of SRS properties are primarily heated by gas.[11] Achieving the UK's objectives on carbon reduction – including meeting the Carbon Budgets, Nationally Determined Contributions and Net Zero by 2050 – requires both improved energy efficiency and a transition to low carbon heating. The final SRS MEES policy supports this transition through the Heating System metric, which providers may choose to comply with, and also through energy efficiency upgrades that prepare homes for low-carbon heating (e.g., insulation which can enable heat pumps to run more effectively and solar PV which can power heat pumps). The final SRS MEES policy is expected to deliver 54,000 heat pumps, 491,000 solar PV and 668,000 insulation measures by 2030.

Government continues to explore options to reduce the running costs of low-carbon heating, helping ensure that households see the efficiency of their low-carbon heating systems translated into even greater bill savings.

Improve tenant health and wellbeing

Living in cold, damp and energy-inefficient homes is associated with a range of negative health outcomes – including respiratory illness, cardiovascular problems, and poor mental health. Children, older people, and those with pre-existing health conditions are particularly

[9] English Housing Survey 2023 to 2024: drivers and impacts of housing quality: https://www.gov.uk/government/statistics/english-housing-survey-2023-to-2024-drivers-and-impacts-of-housing-quality
[10] Annual fuel poverty statistics report: 2025 - GOV.UK
[11] English Housing Survey 2023 to 2024: low carbon technologies in English homes - fact sheet - GOV.UK

vulnerable. The tragic death of two-year old Awaab Ishak in 2020 highlights the potentially devastating impact of damp and mould. The Building Research Establishment (BRE) estimate that the potential savings to the NHS resulting from a fixing a category 1 level damp and mould hazard is nearly £9.8m per year (2019 prices).[12] Improving energy efficiency in the SRS can contribute to reducing health inequalities and improving wellbeing, where measures are installed appropriately. The final SRS MEES policy is expected to deliver £148m of health benefits to tenants.

2.3. Rationale for government intervention

There are a range of market failures and barriers to energy efficiency improvements in the SRS, which provide the rationale for introducing MEES in this market:

Misaligned incentives

There is a misalignment between the bearers of the costs – the providers – and the primary beneficiaries – the tenants. The most direct benefits of such investments are energy savings, which translate to increased comfort and financial savings for the tenants, with the provider not able to capture the benefits or recoup back the money spent. However, it is reasonable to assume that providers consider the impact to tenants when making changes to their housing stock.

Externalities and health impacts

A large part of the benefits are positive externalities going beyond the interests of individual providers – these are wider social benefits that are not internalised by the market: reductions in greenhouse gas emissions, better air quality, supporting green jobs and wider health benefits.

Living at low temperatures poses a risk to health, with a range of negative morbidity and mortality impacts associated with exposure to the cold. The Marmot review on cold homes and health[13], in addition to the Hills Fuel Poverty Review[14], set out the strong body of evidence[15] linking low temperatures to these poor health outcomes.

The market failures and additional considerations listed above mean that without introducing SRS MEES, it will be very difficult to meet government's objectives set out in the section below.

Equity considerations

According to the 2023-24 EHS data, around half of social rented households are within the lowest income quintile.[16] Without intervention, there are limited means for social housing

[12] Buildings Research Establishment (BRE) (2023) *The cost of poor housing in England by tenure* https://files.bregroup.com/corporate/BRE_cost%20of%20poor%20housing%20tenure%20analysis%202023.pdf
[13] Marmot Review on cold homes and health: https://www.instituteofhealthequity.org/resources-reports/the-health-impacts-of-cold-homes-and-fuel-poverty
[14] Fuel Poverty Review: https://www.gov.uk/government/publications/final-report-of-the-fuel-poverty-review
[15] Heath Energy Efficiency, Smart technologies and Health review: https://www.gov.uk/government/publications/heat-energy-efficiency-smart-technology-and-health-review
[16] EHS 23-24 headline report: https://www.gov.uk/government/statistics/chapters-for-english-housing-survey-2023-to-2024-headline-findings-on-demographics-and-household-resilience https://www.gov.uk/government/statistics/chapters-for-english-housing-survey-2022-to-2023-headline-report/chapter-1-profile-of-households-and-dwellings

tenants to either make upgrades themselves (the terms of tenancy agreement would prevent most significant upgrades being made directly by tenants), move to a more efficient home, or move out of social housing.

Competing objectives

The upfront cost of energy performance improvement measures mean providers must prioritise between investing in the energy efficiency of their existing stock or using the same money for other purposes (the 'opportunity cost'). Providers have competing calls on their limited resource. These include remediation activity related to legal requirements, or investment which enables new income streams to be generated, for example in building safety and new supply respectively. Without introducing SRS MEES, there is a risk that energy efficiency will be deprioritised over other spend. This would lead to an underinvestment in energy efficiency improvement due to the market failures listed above.

Business planning

Providers plan expenditure in advance through a business planning process. Introducing SRS MEES gives providers clarity over the direction that they must take to improve the energy efficiency of their stock to align with government's long-term net zero ambition. This clarity will enable providers to plan how they will meet SRS MEES alongside other objectives, such as investing in new homes.

2.4. Summary of consultation responses

The following paragraphs provide a high-level summary of consultation responses for each policy dimension. For full details of responses to the consultation please see the Government Response published alongside this IA.

Metrics

Respondents were divided on government's preferred dual-metric option (Fabric + Smart/Heat). Support largely came from tenant groups, who strongly favoured prioritising fabric improvements for comfort and fuel poverty reduction, and welcomed flexibility in a second metric. Opposition centred on affordability, deliverability, and concerns that the option was overly rigid for some stock types.

Among those who did not support the dual-metric approach, the single-metric fabric only option (option 2) received the highest support, followed by more flexible options (4A/4B). A significant proportion of respondents argued that EPC/HEM reform uncertainty made it difficult to assess the new metrics.

On which second metric providers would choose under government's preferred option, responses were split roughly evenly between smart readiness and heating system, with a similar proportion selecting "don't know". This variation has informed modelling assumptions about provider behaviour.

Compliance Date

Most respondents supported a 2030 compliance date. However, support was lower among social housing providers specifically and was often conditional on either a less ambitious

standard or availability of significant exemptions. The main concerns were affordability (given existing planning assumptions centred around EER C by 2030), supply chain capacity, and grid constraints (particularly in relation to the second metric).

Respondents who supported a 2030 date emphasised that many providers are already planning towards 2030, and that any delay would slow carbon savings and tenant benefits. Tenant and fuel-poverty groups were especially supportive of retaining a 2030 backstop.

Spend exemption

The majority of respondents (77%) agreed with a time-limited spend exemption, noting it would support financial planning and feasibility for hard-to-treat stock. Government's preferred spending threshold of £10,000 per property also received majority support (53%), though some respondents advocated raising the threshold to £15,000 to reflect higher costs for certain property types.

A slim majority supported a ten-year exemption period, while others raised concerns that this could delay necessary improvements. Responses from providers on the expected use of the exemption varied widely, with a median estimated usage of around 10-20% of stock.

Transition

Most respondents (86%) supported recognising properties already at EER C as compliant under MEES until the existing EPC expires. Providers emphasised this would avoid penalising early investment under the current regime, provide clarity during EPC reform, and minimise unnecessary repeat works. Responses also suggested that providers would take mixed approaches to transition, some relying on existing EPCs to maximise certainty, while others plan to take early action aligned with new metrics when available.

2.5 Summary of policy changes from consultation position

<u>Metric option and Compliance date</u>

Consultation feedback raised significant concerns about the cost and deliverability of requiring two metrics to be met by 2030, particularly given that most providers were already planning and budgeting towards achieving EER C by 2030 in anticipation of an incoming standard at this level. Respondents also highlighted the need for flexibility given the diversity of stock types and the uncertainty surrounding the reformed EPC and HEM metrics.

In response, government has adjusted the final policy design. The policy retains a dual-metric standard, requiring EPC C across two post-reform metrics (fabric performance, smart readiness, or heating system). However, only one metric must be met by 2030, the second metric must be met by 2039.

This responds directly to concerns about feasibility of meeting SRS MEES within existing business plans and supports the wider role of the social housing sector in delivering new social and affordable homes, as well as other commitments.

Additionally, government will not require a fabric-first sequence. Providers will have full discretion over which metric they choose to meet for both 2030 and 2039. While government encourages prioritising fabric where insulation levels are low, the final design

allows providers to choose measures that deliver the greatest tenant benefit, recognising the diversity of building archetypes and constraints.

Transition

Respondents broadly supported the transition approach, and government has refined it in line with feedback and the updated EPC reform timeline. As confirmed in the Government Response, a transitionary period will apply until 1 April 2030. Properties that meet EER C during this period, and hold a valid EPC, will be recognised as compliant with MEES for the full validity of that certificate. Following government announcements on 21 January 2026, all EPCs (new and existing) will have a ten-year validity period, meaning the latest date transitional compliance could extend to is 31 March 2040.

This approach recognises early action, maintains clarity during the shift to the reformed EPC system, and supports providers in sequencing works without unnecessary duplication.

The final-stage IA modelling has been updated to reflect consultation response and the final SRS MEES policy design; full details on how the modelling has been updated since the consultation-stage is provided in section 10.

3. Policy objectives for intervention

3.1. SMART-aligned objectives

The proposed introduction of SRS MEES regulations aim to achieve the following SMART-aligned objectives by 2039. The evaluation criteria are based on the modelled outcomes for the preferred policy option. It is important to note that the EPC policy landscape, including technical definitions of new EPC metrics, is still evolving, and the targets presented here are indicative at this stage. These objectives and targets will be kept under review as final policy decisions on EPCs and new metrics are made, and as evidence emerges on how social housing providers might respond and comply with the regulations.

1) Deliver energy efficiency improvements in the SRS
Outcome: Widespread energy efficiency upgrades at proportionate cost. *Evaluation criteria (indicative targets based on preferred option)*: • Number of SRS homes achieving EPC C equivalent or above (target: 1.0m[17] by 2039 – includes properties achieving EER C under old-style EPCs, or EPC C under new-style EPCs), based on landlord reporting to the Regulator of Social Housing (RSH). • 2.9m properties receiving measures by 2039, based on landlord reporting to the RSH. • Landlords protected from spending more than £10,000 per metric per property, based on landlord reporting to the RSH.
2) Improve tenant welfare

[17] This target estimate is based on current EER C.

Outcome: Lower energy bills to reduce fuel poverty and reduce cold and damp-related health risks. *Evaluation criteria (indicative targets based on preferred option)*: • Reduction in fuel poverty prevalence (target: around 371,000 households lifted from fuel poverty by 2039), based on official fuel poverty statistics. • Increase in self-reported thermal comfort and reduced reporting of damp and mould.
3) Boost clean energy generation and improve UK energy security
Outcome: Increased rooftop solar and low-carbon heating system deployment to support decentralised clean energy generation. *Evaluation criteria (indicative targets based on preferred option)*: • Number of properties reaching band C against the smart readiness metric, based on landlord reporting to the RSH. • Number of properties reaching band C against the heating system metric, based on landlord reporting to the RSH.
4) Reduce greenhouse gas emissions
Outcome: Lower CO_2 emissions from SRS energy use. *Evaluation criteria (indicative targets based on preferred option)*: • Annual emissions reduction from SRS as a result of improved energy efficiency of social homes, (target: 2.9m by 2039 – includes properties achieving EER C under old-style EPCs, or EPC C under new-style EPCs), based on landlord reporting to the RSH. • Contribution to meeting Carbon Budgets and Net Zero trajectory.
5) Stimulate growth in energy efficiency and clean heat sectors
Outcome: Economic activity and job creation in retrofit and clean heat industries. *Evaluation criteria (targets not set due to difficulty of attribution)*: • Sector capacity for domestic retrofit increased. • Increase in domestic supply chain capacity and investment levels as a result of improved energy efficiency of social homes, (target: 2.9m by 2039 – includes properties achieving EER C under old-style EPCs, or EPC C under new-style EPCs), based on landlord reporting to the RSH.

These policy objectives align with government's broader objectives on achieving fuel poverty targets in both England and Wales[18], delivering on the Clean Power 2030 Action Plan[40], and cutting carbon emissions (including meeting the Carbon Budgets, Nationally Determined Contributions and Net Zero by 2050).

It is recognised that there can be tensions between some of the policy objectives. For example, achieving substantial reductions in carbon emissions from the SRS would likely

[18] The existing fuel poverty target for England is to improve as many homes of fuel poor households to EPC Band C by 2030 as is reasonably practicable.
[40] Clean Power 2030 Action Plan - GOV.UK

require widespread deployment of low-carbon heating technologies such as heat pumps. However, given the current relative cost of electricity compared to gas, in some circumstances this could lead to higher energy bills for some tenants – particularly where time-of-use tariffs are not effectively utilised.[19] In light of these trade-offs, government has sought to strike an appropriate balance between decarbonisation, affordability, and tenant welfare in selecting its preferred policy approach. The chosen option aims to deliver meaningful progress across all objectives while prioritising tenant benefits in bill savings and comfort. Landlords have flexibility to install measures that will deliver the most benefits to tenants and be appropriate for individual properties.

4. Theory of change

The Theory of Change for SRS MEES was jointly developed between MHCLG and DESNZ, via a workshop led by DESNZ evaluators.

The Theory of Change shows the logic of the intervention, with both intended and unintended pathways to impact. See Annex F for the theory of change diagram. The inputs, activities, outputs, outcomes and impacts have been agreed between both Departments, with coloured outlines showing whether each is more directly relevant to DESNZ, MHCLG or both. The Theory of Change will be used to guide the M&E approach and will inform the evaluation questions which will be interrogated via the process and impact evaluations, set out in more detail in Section 16.

5. Non-regulatory options considered

A longlist of options has been considered to overcome the market failures identified in section 2.3. The primary rationale continues to be that regulation is necessary to overcome the misaligned market incentives between tenant and provider. Please see Annex D for the critical success factors for SRS MEES and how these relate to the policy long-list in order to determine regulation as the most appropriate option forward.

A number of alternative approaches to regulation have been considered and either assessed as being unlikely to drive energy efficiency improvements, or evidence has been found which demonstrates that they would have insufficient impact. For this reason, they have not been appraised as options as part of this IA. These include:

‘Business As Usual’

Providers are generally in favour of work to support energy efficiency in social housing and most providers already have energy performance targets of at least EPC C (using the existing EER metric) by 2030 in their business plans in anticipation of meeting an incoming regulatory standard being introduced at this level.[20] However, fewer providers have well developed plans beyond meeting EPC C and therefore may not have fully considered actions beyond 2030. Providers have finite budgets and multiple competing spending priorities (e.g., increasing housing supply) as well as other regulatory requirements to meet (e.g., building safety regulations). As a result, if government does not deliver on expectations to introduce an EPC C standard (or equivalent), providers are less likely to take voluntary action and may rework business plans to delay energy efficiency

[19] Note this tension could reduce in the longer term if energy prices rebalance in favour of electricity.

[20] Previous administrations set out aspirations to consider setting a long-term regulatory standard to improve social housing to EPC Band C in the 2017 Clean Growth Strategy, the 2020 Social Housing White Paper and 2021 Heat and Buildings Strategy.

improvements. This means that not introducing MEES will result in fewer energy efficiency gains, as well as potentially damaging the credibility of future government commitments with providers. SRS MEES is also needed to give the retrofit supply chain certainty over government's intended direction of travel for domestic energy efficiency. In addition, the current thermal comfort requirements in the DHS are not fit for purpose and are considered insufficient to meet government targets and ensure appropriate levels of energy efficiency in the social housing stock. The current policy landscape for the SRS is explained in Annex A.

Grant funding

There is grant funding available for social housing retrofit through the existing Warm Homes: Social Housing Fund (WH:SHF). However, delivery of the £1.585 billion that has been committed for WH:SHF Wave 3 for 2025-2028 would not be sufficient to improve all social housing stock to EPC C or equivalent (expected to be around £3.387 billion) and meet the Fuel Poverty Target to improve as many homes to band C where reasonably practicable by 2030.

MEES will be introduced to build on the progress of the WH:SHF as part of a package of policies to improve the energy performance of the sector. WH:SHF grant funding (and the co-funding invested in WH:SHF projects) will enable some providers to go further and faster than MEES, for example by improving properties to EPC C before SRS MEES comes into effect.

Tax incentives

While the use of preferential tax rates or rebates upon undertaking energy efficiency improvements could incentivise providers to undertake more energy efficiency improvements, this approach faces several limitations. Firstly, many energy efficiency products are already zero-rated for VAT, further tax incentives would effectively constitute a negative tax – an approach that would not be fiscally sustainable. Secondly, given current public finance constraints, the scale of tax incentives required to drive the desired level of energy efficiency improvement would be too large for government to accommodate.

The use of preferential lending rates for energy efficiency installations could incentivise providers to undertake more energy efficiency improvements. However, borrowing rates for the sector are already low and landlords are constrained in the extent to which they can take on additional debt.

These non-regulatory approaches do not adequately address the fundamental market failures in the SRS, including externalities and the split incentive between landlords and tenants. As a result, they would not deliver the scale of improvement needed to meet government's objectives. Regulation provides a clear, enforceable standard that creates certainty for landlords and the supply chain.

Although insufficient on their own, these measures remain important as complementary interventions. Government continues to work to improve awareness of energy efficiency benefits and provide targeted financial support for those, including providers, seeking to upgrade their properties.

6. Long-list of regulatory options considered

There are many possible ways to design a regulatory policy to raise energy efficiency standards in the SRS. Prior to consultation, government considered a wide range of options across several policy dimensions. A full assessment of these options, including detailed rationales and links to critical success factors, is provided in Annex E. This section summarises the key decisions and the reasons why options were taken forward for detailed assessment in this IA, while others were discounted.

EPC metrics: Following analysis of responses to the consultation, a first metric neutral option by 2030 followed by any remaining metric by 2039 has been taken forward as the final policy design to enable providers to take the most appropriate approach for each property, and to meet the standard whilst also investing in building new social homes. The consultation preferred option of fabric followed by smart or heat has been discounted as it does not provide the necessary flexibility for providers. Single metric options have been discounted because they do not produce government's desired impacts nor would they provide the necessary flexibility and long-term certainty for providers, while average-score approaches have been discounted because they are likely to be expensive and complex for providers to meet across their stock.

Compliance date: Following analysis of responses to the consultation, a first metric neutral option by 2030 followed by any remaining metric by 2039 has been taken forward as the final policy design. This provides clarity, supports supply chain ramp-up, and aligns with 2030 fuel poverty goals. This option will also support providers to invest in energy efficiency to meet the standard, whilst also investing in new supply of social homes. Pre-2030 compliance is discounted due to low affordability and achievability, and first metric post-2030 compliance is discounted for poor strategic fit (misalignment with 2030 fuel poverty objectives).

Spend exemption: A spend exemption sets a maximum required spend to meet SRS MEES per home. The final policy design is a £10,000 spend exemption for the first metric by 2030, after which landlords are granted a 10-year exemption from any further spending. A second metric spend exemption of at least £10,000 will also be set, to be spent by 2039 and lasting for 10 years. A spend exemption of more than £10,000 or earlier than 2030 for the first metric is discounted on affordability grounds. A spend exemption later than 2030 for the first metric is discounted as it would delay the necessary action needed to improve the energy efficiency of homes. A spend exemption of less than £10,000 by 2039 for the second metric is discounted as inflation is likely to impact the measures that can be installed within the spend exemption, making it less like that the metric can be achieved in full.

EPC transition: The final policy design is to treat properties rated EER C on old- or new-style EPCs obtained by 2030 as compliant until the EPC expires. This helps encourage early action and smooths assessor/supply-chain demand. Recognising EER C achieved by 2028 (as proposed in the consultation) has been discounted as it does not align with providers' existing business plans, which could be costly to deviate from and lead to a reduction in delivery over the next few years. It also allows more time for providers to become acquainted with the new EPC system, which is still in the process of reform. Only recognising old EPCs until their expiration would extend the transition period beyond 2030 for many homes and is discounted based on strategic fit (does not

encourage early action). It would also encourage large scale reassessment of EPC ratings, which would create significant pressure on the EPC system and incur significant costs for landlords. Immediate mandatory re-rating is discounted for achievability reasons (would add to supply chain pressures to 2030).

Summary of decision making: Government considered consultation responses and engagement undertaken with the sector to appraise options proposed in the consultation. 46% of respondents supported government's proposed approach for metrics for SRS MEES (meeting the fabric metric followed by the smart or heat metric, by 2030) and 56% of respondents supported a compliance date of 2030. However, the cost and deliverability of government's preferred option was a significant concern for the social housing sector, particularly as most providers have already invested or set aside funds to achieve or work towards achieving EER C by 2030. Many providers believed that achieving a minimum of EPC C in two metrics by 2030 would be a significantly more ambitious target than existing EPC 'C' plans have accounted for.

Other metric options received some support from respondents but were not more popular than the preferred approach proposed by government. These options were discounted because they either would not deliver the necessary ambition for SRS MEES (consultation Option 2: a fabric performance metric only, by 2030) or were overly complex for providers (consultation Options 3, 4A and 4B).

Based on consultation feedback and sector engagement, government decided to progress a dual metric, but to delay the compliance date for the second metric to 2039 to help providers manage the costs and delivery demands of meeting the standard. Government noted that delaying the second metric would maintain the long-term ambition of the SRS MEES whilst enabling providers to deliver against other priorities in the short and medium-term, notably investing in building in new homes.

Whilst some respondents supported a fabric first approach, other respondents noted that there would be certain circumstances where specific metrics would not be appropriate for a home. To maximise the deliverability of SRS MEES, government decided to allow providers to choose which metrics to meet, rather than specifying that the fabric metric must be met first. Allowing either the fabric, smart or heat metric to be met by 2030 is also expected to enable most providers to continue with existing business plans where they have been targeting EER C by 2030.

There was broad support for the transition approach proposed in the consultation, where homes that reach EER C by 1 April 2028 would be considered compliant with SRS MEES for the duration of that EPCs validity. Following stakeholder engagement, government determined that extending the transition cut-off date for SRS MEES would be necessary to ensure that providers would be able to continue with plans to improve the energy efficiency of homes whilst also investing in building new homes. Government considered how long to delay the cut-off date for the transition period and determined that 1 April 2030 was appropriate as this aligns with provider business plans.

Following the decision to delay the compliance date for the second metric, government reconsidered the approach to the £10,000 spend exemption. Government also considered the decision to implement a flexible metric approach for SRS MEES. Government determined that a single £10,000 spend exemption would not provide enough certainty for providers and instead decided to set spend exemptions for both the first and second

metrics. This will allow an appropriate amount to be set for each metric and will enable providers to factor in the two spend exemptions into future business planning.

At consultation stage, government proposed that the exemptions set out in the DHS consultation should also apply to SRS MEES. Following consideration of responses and engagement with the sector government decided that the DHS exemptions should apply to SRS MEES. Government also considered proposals for additional exemptions that could apply to SRS MEES. A number of additional exemptions were proposed, however government decided that these proposals would be unlikely to pose a significant barrier to SRS MEES because they would be addressed by the DHS exemptions or by changes in the final design of SRS MEES, or in forthcoming guidance.

7. Shortlisted regulatory options

7.1. Shortlisted Options Modelled in this IA

The IA assesses the following policy options:

Option 0: SRS MEES is not implemented ('Business As Usual').

Under this option, MEES would not be introduced in the SRS. While some energy performance improvements are expected through ongoing SHDF/WH:SHF funding, these are insufficient to improve the energy performance of the sector in order to meet government's objectives. The counterfactual therefore includes all homes already expected to be upgraded through SHDF Demonstrator, Wave 1, Wave 2.1, Wave 2.2 and WH:SHF Wave 3. A full description of the counterfactual is provided in Section 8.4.

In the absence of SRS MEES, we expect many providers to delay or scale back progress towards EPC C. Whilst most providers have factored in meeting EPC (EER) C by 2030 in their business plans. For many providers work to date has been done in anticipation of meeting an incoming regulatory standard, long anticipated to be implemented in 2030, and works are likely to be scaled back if regulations are not implemented. As outlined in Section 2.3, providers face finite budget and competing objectives, including building new social housing and adherence to other statutory requirements, such as building safety. Without a clear regulatory driver, providers may postpone energy efficiency upgrades, and investment decisions could become vulnerable to shifts in organisational or external priorities, along with this the supply chain may not view any necessity to scale up particularly in expanding skilled trades which could cause further delay to progress. Providers are also aware that government is legally committed to delivering net zero by 2050, meaning that in the absence of MEES, there will continue to be some ambiguity about government's ambitions for social housing decarbonisation. This regulatory uncertainty could make business planning more difficult.

Option 1: To meet either the Fabric Performance, Smart Readiness or Heating System metric by 2030, followed by any one of the remaining metrics by 2039, with a ten-year £10,000 spend exemption and a transition date by 2030.

Government's final SRS MEES option requires providers to meet either the Fabric Performance, Smart Readiness or Heating System metric by 2030, followed by any one of the remaining metrics by 2039. For the purpose of the IA, providers are assumed to adopt

a cost-effective choice when choosing which metrics to comply with. For the spend exemption, it has been assumed that after £10,000 has been spent on a property on any of three metrics, a provider would be eligible to apply a ten-year spend exemption, regardless of the rating achieved. The following spend exemption will apply to SRS MEES:

Each property will have a spend exemption of £10,000 for the first metric and £10,000 for the second metric. Each will last for ten-years from the compliance date, giving providers additional time to meet the standard of EPC C. This is different to the original consultation proposals and is designed to accommodate the two compliance dates for MEES, 2030 and 2039.

First metric spend exemption

- If a provider spends up to £10,000 trying to get a property to EPC C on their first chosen metric by 2030, but the property still doesn't meet the standard, they can employ an exemption. This exemption lasts for ten-years up until 2040.

Second metric spend exemption

- A spend exemption will also apply to the second chosen metric. If a provider spends up to £10,000 trying to get a property to EPC C on their second chosen metric by 2039 but the property still doesn't meet the standard, they can employ an exemption. This exemption lasts for ten-years up until 2049.

Option 2: To meet a primary Fabric Performance metric and a secondary Smart Readiness or Heating System metric by 2030, with a ten-year £10,000 spend exemption and a transition date by 2030

Two metrics are required by 2030. Providers must meet the fabric metric before meeting either the smart or heating metric to be compliant with the standard. This is similar to a comparison with the consultation stage, but with an additional 2 years to 2030 to comply under the transition approach. A £10,000 spend exemption applies to this option, with expenditure to 2030 counting towards an exemption that is limited for ten years to 2030.

Option 3: To meet a standard set against solely a Fabric Performance metric by 2030, with a ten-year £10,000 spend exemption and a transition date by 2030

Instead of two metrics to be met either by 2030 and 39 as per option 1 and by 2030 as per option 2, this option requires providers to meet a single metric by 2030, which must be the fabric metric. This option was consulted on as an alternative metric option at consultation stage, but gives an additional 2 years to 2030 to comply under the transition approach. A £10,000 spend exemption applies to this option, with expenditure to 2030 counting towards an exemption that is limited for ten years to 2030.

7.2. Key outcomes for shortlisted options

Government has considered the feedback to the position proposed in the SRS MEES consultation. Consultation responses showed a clear theme that highlighted the cost and deliverability of government's preferred option to meet two metrics by 2030 being a concern. Consequently, government has made the decision for a first metric neutral option

by 2030, followed by any remaining metric by 2039, to be introduced for SRS MEES. Below, Table 1 presents key metrics across the three shortlisted options. Modelling is discussed in further detail in Section 10.

Table 1: Key outcomes for shortlisted options

2026 price base year and present value; £m	Option 1 (Final)	Option 2	Option 3
Estimated capital expenditure to landlords, to 2071 £m (Excluding Reinstallations)	10,269	11,839	3,083
Average cost per home £ (Excluding Reinstallations)	3,543	3,930	2,099
Number of homes taken out of fuel poverty	399,919	384,687	284,125
Annual bill savings, per household by 2039 (£; 2030 prices)	203	205	117
Total lifetime carbon savings (MtCO2e)	20.701	23.499	9.648

See Section 10 for further modelling outcomes and comparison, including justification of the preferred option.

8. Approach to assessing policy options

8.1. Proxy definitions of new EPC metrics and SRS standards

Government's consultation on reforming EPCs ran from 4 December 2024 to 26 February 2025.[21] New EPC metrics will be produced using the Home Energy Model (HEM). Government has published a consultation on how new EPC metrics will be calculated using HEM, including what measures will achieve band C against each metric. This consultation closed on 18 March 2026. Once the HEM: EPC consultation has closed, government will proceed with finalising the development of HEM and EPC reform. The intention is to transition to reformed EPCs, based on a form of HEM for existing dwellings and used by EPC assessors, in the second half of 2027.

The key proposed headline metrics considered in the EPC consultation are as defined below:

- **The fabric performance metric** – This metric assesses energy performance based on the fabric efficiency of the building, providing recommendations to improve thermal comfort, reduce space heating demand, and improve heating system

[21] MHCLG (2024) Consultation on reforms to the Energy Performance of Buildings Regime

efficiency. Furthermore, appropriate fabric interventions support a home becoming 'heat pump ready', providing optimal conditions for heat pumps to work more effectively.

- **The heating system metric** – This metric assesses energy performance based on the efficiency and emissions of the building's hot water and heating systems. Possible measures driven by this metric would include low-carbon options, such as heat pumps, over inefficient or carbon-intensive systems. Recommendations may include heating controls, heat emitters, and solar water heating.
- **The smart readiness metric** – This metric assesses energy performance based on the optimisation of the building's energy usage and its ability to integrate with a flexible energy system. Possible measures driven by this metric would include solar panels, batteries and other load shifting appliances, and smart meters to enable tenants to access smart tariffs and services.

The approach taken in this IA to assess policy outcomes has been to focus on the high-level implications of basing new SRS standards on different elements of property performance. Ahead of government reaching its final position on how reformed EPC metrics should be constructed and properties assessed, government cannot at this time define or propose specific targets for the SRS on the new metrics.

In this IA, modelling has been carried out with proxy definitions of the new EPC metrics and illustrative targets. These definitions and targets should not be taken as an indication of how the new EPC metrics or the higher standards for the SRS will ultimately be defined. Their use is to throw light on what can be achieved by basing SRS standards on the different elements of property performance (fabric performance, adoption of smart and energy generation technologies, heating performance) and to give a sense of the numbers of properties affected and the magnitudes of costs.

Table 2 describes the proxy metrics and targets used in the modelling. Note that the proxy metric for 'fabric' is continuous in nature, allowing for more calibrated targets to be used. However, the proxy metrics for 'smart' and 'heating' are binary with targets based on whether a property has solar PV or a heat pump, respectively. Consequently, the modelled outcomes for 'smart' and 'heating' are potentially more polarised than what may occur when SRS standards are based on the final HEM versions of these metrics.

Decisions on the proxy metrics and standards to use in this IA were influenced by what it is currently possible to model using the Department for Energy Security and Net Zero's National Buildings Model (NBM)[22]. At the time of analysis, the NBM did not feature some measures, e.g., batteries, that may feature as part of the final HEM versions of the metrics. Following development of HEM, the Department's modelling will be updated to account for the key measures that feature in the final HEM metrics.

Table 2. Proxy definitions of new EPC metrics and SRS standards used in modelling

Metric	Proxy definitions
Fabric	Proxy metric: SAP dwelling "heat loss parameter" (W/m^{2}K)[23]. Proxy SRS standard: A target heat loss of 3 W/m^{2}K has been used in the central scenario modelling. At consultation stage, the EPC reform consultation was at an

[22] https://www.gov.uk/government/publications/beis-business-critical-analytical-models-2022/beis-business-critical-models-2022
[23] Heat lost from the dwelling (W) per m^2 floor area of the dwelling (m^2) for each degree temperature difference between internal and external temperature (K).

	earlier stage of development, and a less ambitious 4 W/m2k was assumed. The3 W/m^{2}K target used in this IA is based on what corresponds closely to what would be required for properties to meet EER Band C on existing EPCs. Modelling based on a less ambitious target of 4 W/m^{2}K is provided as part of sensitivity analysis.
Smart	Proxy metric: The proxy for a property being smart has been set according to whether or not the property has a solar PV system. There are other possible components to a smart property, including smart meters and batteries, which are not accounted for. However, note smart meters are assumed to be in place / installed where properties get solar PV as this enables households to take full advantage of the system, including selling excess electricity to the grid.[24] Proxy SRS standard: Property must have at least a 1kWp solar PV system.
Heating	Proxy metric: The proxy for a property having a higher rated heating system has been set according to whether or not they have a heat pump. Proxy SRS standard: Property must have a heat pump. Note this is an ambitious standard. Lower ambition standards based on properties being heat-pump ready (e.g., having suitable emitters and pipework) may be possible. Finally, some landlords may be able to achieve the equivalent of a heat pump by connecting to a heat network (not modelled).

8.2. Homes in scope and exemptions

Homes in scope

SRS MEES will apply to both private registered providers and local authority registered providers of social housing where those providers are a landlord but does not include properties owned under Low Cost Home Ownership Schemes (LCHO) such as shared Ownership properties. All social homes covered by the DHS will be in scope of SRS MEES. The DHS applies to all social housing except leasehold and shared ownership properties. Social housing includes sheltered housing and non-self-contained or supported housing. The homes in scope will be those covered by the DHS that fall below the MEES requirements.

Spend exemption

A spend exemption is a threshold set on the level of investment required per property. Once this level has been reached, a provider would be exempt from reaching the metric target for ten-years. Compliance with SRS MEES will be enforced by the Regulator of Social Housing and exemptions will be reported in line with the rest of the Decent Homes Standard. The purpose of the spend exemption is to limit financial pressure on providers, particularly for hardest-to-treat homes, and to avoid disproportionate costs in the short-medium term while still ensuring the majority of properties reach the required MEES standard.

[24] It has not been possible to fully account for additional smart meter installations in the modelling that occur where solar PV is installed. Our modelling implicitly assumes that households getting solar PV already have a smart meter, thereby allowing them to benefit from selling excess electricity generation to the grid. This income is added into the estimated average energy bill savings for households. Should households get a smart meter for the first time alongside their solar PV, they may benefit from even higher energy bill savings due to the ability to monitor their energy use.

In the IA, the modelling assumes a £10,000 spend cap per property across any of the MEES metrics. Where cost of installing even the cheapest measures required to meet the metrics exceed this threshold, the model assumes that providers stop further upgrades and apply for a ten-year spend exemption. The final position for the spend exemption for SRS MEES is set at £10,000 by 2030 for the first metric, to last for ten years, followed by at least £10,000 by 2039 for the second metric, to last for ten years. See pages 5-7 of the Government Response for the full spend exemption position.

Other reasons why a home might not meet the standard

The current DHS sets out circumstances when compliance with the standard is not possible for individual dwellings - these are sometimes referred to as 'exemptions'. Large PRPs declare annually through the Statistical Data Return to the Regulator of Social Housing the number of their properties which do not meet the DHS and the number of their properties which they assess are exempt from meeting the DHS requirements. This is outlined in the accompanying consultation on reforming the DHS[25].

Section 7 of the DHS consultation outlines the proposals for the SRS to include the following specific circumstances in which it may be acceptable to not meet the standard:

- **Tenant refusal of access:** we recognise that there will be some situations where access to properties may pose issues, however, exempting providers from meeting the DHS where tenants refuse access for remedial works is a complex issue that requires careful consideration. Therefore, the consultation proposes encouraging providers to engage proactively with tenants to address concerns and laying the steps required through clear and robust guidance.
- **Physical or planning factors preventing compliance:** In certain cases, structural limitations or planning restrictions may make it impractical or impossible to carry out necessary improvements. For instance, heritage buildings may be subject to listing constraints that restrict the extent of possible works. In such a case, we would expect providers to demonstrate they have carried out the maximum amount of energy efficiency upgrades possible before an exemption applies.
- **Exemptions due to sale, demolition, or planned regeneration of properties:** In such scenarios, investing in extensive repairs or upgrades may be impractical and economically challenging, and we acknowledge the reality that resources are better allocated towards long-term solutions rather than temporary fixes.

[25] Consultation on a reformed Decent Homes Standard for social and privately rented homes - GOV.UK https://www.gov.uk/government/consultations/consultation-on-a-reformed-decent-homes-standard-for-social-and-privately-rented-homes/consultation-on-a-reformed-decent-homes-standard-for-social-and-privately-rented-homes#section-7--meeting-the-standard.

8.3. Modelling the stock in the NBM

The National Buildings Model (NBM)[26] is a discrete event simulation model used to estimate provider actions for the final SRS MEES policy and to assess the impact of installing measures across eligible social housing stock. The model applies a SAP-based energy calculation[27] to a representative sample of dwellings drawn from the English Housing Survey (EHS). The EHS is an annual survey of over 12,000 households in England, providing a sample that reflects the full range of domestic property types in the country.

The NBM installs measures into individual properties based on a series of key assumptions. For SRS MEES, the model makes the following key assumptions:

- **Homes in Scope -** As with the wider DHS, the standard will apply to all registered providers of social housing in England and will be regulated by the Regulator of Social Housing (RSH). This will apply to both private registered providers and local authority registered providers of social housing where those providers are a landlord but does not include properties owned under Low Cost Home Ownership Schemes (LCHO) such as Shared Ownership properties.
- **Baseline dwelling stock -** The NBM model is based on 2016/17 EHS data, the most recent full dataset available when the model was created. The baseline dwelling stock has been updated to account for energy efficiency and heating measures installed since 2016/17, using data from DESNZ's Household Energy Efficiency Statistics.[28] This is the best available evidence base from which to model the granularity of detail required to estimate property impacts. Additional adjustments have been made to account for homes expected to be treated through SHDF/WH:SHF and the change in size of SRS stock between 2016/17 and 2023/24 using EHS data, including consideration for dwelling age and total stock.
- **Measure installation assumption –** The NBM installs measures until the property has reached the metric target, there are no further suitable measures, or the spend exemption has been reached.
- **Metric choice –** The NBM assumes providers choose metrics based on cost-effectiveness at the dwelling level, selecting the metrics that minimise capital costs to meet SRS MEES requirements.
- **Supply chain capacity –** The model assumes sufficient supply chain capacity to deliver the necessary installations without costs being driven up by increased demand.
- **Proxy HEM metrics –** Proxy definitions of the HEM metrics have been used in the NBM modelling, more details on these, including the limitations are explained in Section 8.

In practice, the actual measure mix and impacts will depend on how the reformed EPC metrics are defined and calculated. The results presented in this IA therefore reflect a

[26] The NBM is a new model based on the National Household Model (NHM), on which previous energy efficiency policies were modelled in DESNZ. The move to the NBM has enabled greater transparency and flexibility, brought model development in-house, facilitated updates to the underlying stock data, and improved SAP fidelity. There have also been updates to measure assumptions, improving the accuracy of modelling.

[27] The fuel poverty target for England and its interim milestones are measured using the Fuel Poverty Energy Efficiency Rating (FPEER), which is based on the same Standard Assessment Procedure methodology used to generate an EPC rating for domestic properties. More information is available here: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/332236/fpeer_methodology.pdf

[28] https://www.gov.uk/government/collections/household-energy-efficiency-national-statistics

simplified scenario of homes in scope and how these homes might be upgraded to meet SRS MEES requirements. This section outlines the key assumptions used in the NBM modelling, further details on other assumptions used in this IA can be found in Annex B.

8.4. Counterfactual

The impacts of the final SRS MEES policy are assessed against a 'Business As Usual' baseline, the counterfactual. In the counterfactual option, no MEES are introduced for the SRS.

There are two main aspects to the counterfactual that affect the net costs and benefits (including the direct ones to business): Improvements that occur as a result of natural replacement, and those delivered from current government policies. Some measures may also be installed by providers in the absence of government intervention, although we have assumed this number would be small due to the market failures and barriers explained in Section 2.3. Despite properties being raised to meet EER C in recent years, in part from anticipation of MEES regulations, investment to achieve 2 HEM metrics without intervention is not expected to receive the same momentum.

Natural replacement

The model assumes that existing lights and boilers will be replaced with more energy efficient equivalents at the end of their lifetime, regardless of government intervention, and so we have included these installations in the counterfactual. Replacement of existing lighting with low energy lighting is taken from the modelling underpinning Ecodesign requirement for lighting products.[29] Uptake of conventional heating measures assumes replacement with Ecodesign compliant condensing boilers as existing boilers reach the end of their lifetimes. In addition, the counterfactual assumes that when boilers are replaced, providers will install the appropriate heating controls as required by the Building Regulations.[30]

Overlap with the DHS

SRS MEES will form a part of the DHS for the SRS, which is has been reviewed and the new standard published[31]. We expect the overlap between measures installed to meet the wider DHS and SRS MEES to be minimal. Bringing homes up to EPC C for the fabric metric is more focussed on insulation measures rather than installation of windows, the latter of which is a prominent measure within the DHS. There may also be some limited crossover between the Heating Systems metrics and Smart metrics with the DHS criterion D to which requires homes to provide programmable heating, depending on the final decisions made about EPC reform. Overlap may be slightly greater in the familiarisation and surveying costs, which may overestimate should providers carry out works simultaneously.

[29] Ecodesign for Sustainable Products Regulation: https://commission.europa.eu/energy-climate-change-environment/standards-tools-and-labels/products-labelling-rules-and-requirements/sustainable-products/ecodesign-sustainable-products-regulation_en

[30] Building Regulations: https://www.gov.uk/government/collections/approved-documents

[31] The New Decent Homes Standard: policy statement - GOV.UK

Overlaps with SHDF/WH:SHF

The modelling in this IA accounts for overlaps with existing schemes that support energy efficiency improvements in the SRS. SHDF/WH:SHF is the primary scheme currently delivering upgrades, with funding allocated across multiple phases since 2021. While the baseline dwelling stock predates this, the IA assumes that homes funded through SHDF Demonstrator, Wave 1, Wave 2.1, Wave 2.2, and WH:SHF Wave 3 will reach EER C irrespective of SRS MEES. [32]

To reflect the difference between the EER C target used in SHDF/WH:SHF and the HEM-based metrics required under SRS MEES, the model applies an additional 1.7% reduction to these homes. This scalar reflects the proportion of SRS properties current at EER Band C that may still require further upgrades to meet one HEM metric by 2030. The 1.7% scalar is modelled based on EER Band C homes meeting either Fabric Performance, Smart Readiness or Heating System metric by 2030[33].

Table 3 below shows the number of homes estimated to be treated by SHDF/WH:SHF Wave 3, including the EER C/HEM scalar. These homes are excluded from the estimated impacts of SRS MEES.

Table 3: number of homes assumed to be treated by the SHDF/WH:SHF Wave 3, regardless of the regulation by the end of Wave 3 in 2029.

Starting EPC	Number of social homes reaching EER C through SHDF demo, W1, W2.1, W2.2 and WH:SHF W3.
D	250,700
E	22,100
F	3,700
G	1,800

Overlaps with other policies

In addition to existing SHDF/WH:SHF, there are other schemes expected to support energy efficiency improvements in the SRS, including potential future capital schemes. These future policies, as well as wider social housing quality reforms (such as DHS and Awaab's Law – albeit with marginal impact) could overlap with SRS MEES impacts. To account for these potential overlaps a 10% overlap assumption has been applied to both the costs and benefits of MEES.

[32] Wave 1 official stats (February 2025) show that of 16,056 properties treated as part of Wave 1, 92% reached EPC C or above post-installation. https://www.gov.uk/government/statistics/social-housing-decarbonisation-fund-statistics-february-2025
[33] The 1.7% scalar is just against one metric, if assessed against the requirement to meet two metrics, the proportion might be higher.

The 10% overlap adjustment is a cautious assumption, while SHDF represents the most significant source of overlap, its impacts have already been incorporated into the counterfactual. However, the scale and timing of overlap with future SRS energy efficiency schemes remain uncertain, and we have cautiously selected 10% to reflect the possibility that there is likely to be some overlap across the SRS MEES appraisal period.

This counterfactual was used as the baseline both for the cost-benefit analysis and also the Equivalent Annual Net Direct Cost to Business assessment (EANDCB).

8.5. Time profile of upgrades under SRS MEES policy

Compliance timing

The final SRS MEES policy requires providers to comply with one of the Fabric Performance, Smart Readiness and Heating System metrics by 2030, and another of the remaining metrics by 2039. Providers must demonstrate either that a property meet the selected metrics, or they have spent at least £10,000 per property, or that the installing the next measure towards SRS MEES requirements would exceed this threshold.

Profile of upgrades for properties EER C and above

Properties currently EER Band C and above by 2026 are assumed to be compliant with SRS MEES for the full validity period of their existing EPC (ten-years). Once that EPC expires, these homes will be required to comply with the new HEM-based metrics. For modelling purposes, a simplified assumption has been made that EPC expiration for this cohort of homes will follow a uniform profile between 2027 and 2036. When the EPC expires, homes are required to undertake any additional upgrades needed to meet the SRS MEES requirements. All homes must reach full compliance by 2039.

Table 4: Proportion of above EER C homes by EPC expiry year

	Proportion of EPCs expiring
2027	10%
2028	10%
2029	10%
2030	10%
2031	10%
2032	10%
2033	10%
2034	10%
2035	10%
2036	10%
Total	**100%**

Profile of upgrades for properties below EER C

Properties currently below EER Band C are assumed to comply with SRS MEES either through the proposed transition route – using the existing EER C or through meeting the new HEM-based metrics once post-reform EPCs become available. The modelling therefore assumes two compliance pathways for properties below EER C:

- Transition plan route (existing EER C) – 60% of providers with homes below EER C are assumed to comply initially through meeting EER C from the existing EPC system, reaching EER C by 2030. Post-reform EPCs will retain a 10-year validity period, allowing homes to remain compliant until the certificate expires (no later than by 2040). Once the EPC expires, these homes must comply with the HEM-based MEES standard.
- HEM metrics route – 40% of providers with homes below EER C are assumed to comply directly with the HEM metrics and obtain post-reform EPCs by 2030 and 2039. Homes meeting both HEM metrics are treated as compliant with SRS MEES from that point.

For modelling purposes, the following deployment profile by 2030 has been assumed for homes below EER C. Given that providers are already familiar with the existing EPC assessment, it is assumed that a higher proportion will take advantage of the transition period's ongoing availability of reaching the existing EER C until 2030.

Table 5: Proportion of social homes below EER C working towards each target.

	Comply via EER C	Comply via HEM C
2026	15%	-
2027	15%	10%
2028	15%	20%
2029	15%	20%
Total	**60%**	**40%**

The chart below presents a simplified view of how the proposed transition plan for SRS MEES impact SRS homes already at EER C and those below that level.

Table 6: Timeline for transition between targets, showing potential routes to compliance.

New EPCs exist — Primary metric compliance date and transition cut off date (1 April 2030) — Secondary metric compliance date (1 April 2039)

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Homes currently at EER C+	Renews EPC in 2027		Compliant under EER C Must meet primary metric under HEM by EPC expiry date in 2037									Improves home to meet secondary metric under HEM by 2039		Compliant with primary and secondary metrics under HEM	
	Renews EPC in early 2030				Compliant under EER C Must meet primary and secondary metrics under HEM by EPC expiry date in early 2040										Compliant with primary and secondary metrics under HEM
	Renews EPC in 2029 which shows that home meets primary metric				Improves home to meet secondary metric under HEM by 2039									Compliant with primary and secondary metrics under HEM	
Homes currently below EER C	Achieves EER C in 2028		Compliant under EER C Must meet primary metric under HEM by EPC expiry date in 2038										Improves home to meet secondary metric under HEM by 2039	Compliant with primary and secondary metrics under HEM	
	Improves home to meet primary metric under HEM by 2030				Improves home to meet secondary metric under HEM by 2039									Compliant with primary and secondary metrics under HEM	

8.6. Appraisal period and the re-installation of measures

The cost-benefit analysis uses an appraisal period from 2026 to 2071, reflecting the full lifetime of measures installed under SRS MEES. The year 2071 is the point at which all measures installed by 2030 will have reached the end of their estimated lifetimes. The timeframe is driven by the measure with the longest-lifetime, such as loft and cavity wall insulation, which have an estimated 42-year lifetime. This is also consistent with the appraisal period used for the Consultation Stage IA. Measures with shorter lifetime are assumed to be replaced on a like-for-like basis when they expire. The associated costs and benefits for these reinstallations have been included in the CBA and apportioned on a pro-rata basis across the appraisal period.

Although some measures installation related to the second metric or transition plans will occur after 2030, the vast majority of impacts is expected to fall by 2030, support the use of 2071 as the end of the appraisal period. Counterfactual measures replacements, such as boiler reinstallations, are also assumed to occur during the appraisal period, but these are not attributed to the SRS MEES policy.[34]

To allow comparison to other policy IAs, a policy appraisal period of ten years has also been presented in section 15, setting out the costs and benefits occurring in the first ten years only. The full list of assumptions used in the modelling, including measure lifetimes, is detailed in Annex B.

For the purposes of IA, it is assumed that measures will be installed broadly evenly across the compliance period. This reflects the fact that retrofits are already being delivered through programmes such as the Social Housing Decarbonisation Fund (SHDF) and the Warm Homes: Social Housing Fund (WH:SHF), and that many providers are already incorporating

[34] This is a theoretical assumption used for appraisal purposes, as installation of gas boilers are not consistent with Net Zero.

retrofit activity within their business plans. In practice, some providers may choose to carry out installations closer to the 2030 and 2039 compliance deadlines.

9. Costs and benefits categorisation and description

A range of costs and benefits have been monetised for this IA. Table 7 summarises these costs and benefits.

Table 7: Categories of SRS MEES costs and benefits

Impacted groups	Type of cost/benefit	Included in social cost-benefit analysis?
Costs		
Providers	Capital costs of installing measures (includes labour and material)	Social costs, quantified and included in the NPSV
	Capital costs of re-installing measures (includes labour and material)	
	Hassle costs of installing measures (e.g. research and oversee installations)	
	Familiarisation costs to understand the SRS MEES requirements	
	EPC certification costs to prove compliance with SRS MEES	
	Surveying costs to identify homes in scope of SRS MEES	
SRS Tenants	Hassle costs of installing measures (e.g. clear rooms for installations or learn new systems)	Social costs, quantified and included in the NPSV
Society	Opportunity cost of using capital to achieve SRS MEES instead of building new supply	Social costs, quantified and included in the NPSV
Owner-occupier leaseholders	Costs to leaseholders, whose freeholder is a social housing provider	Social costs, described qualitatively
Regulator for Social Housing	Familiarisation costs to understand SRS MEES requirements	Social costs, described qualitatively
	Cost of enforcing SRS MEES	
Benefits		
Society	Long run variable cost (LRVC) savings from lower energy use	Social benefit, quantified and included in the NPSV
	Improvement in air quality from lower fuel use	
	Reductions in greenhouse gas emissions	
SRS Tenants	Lower energy costs	Private benefit, quantified and

		excluded in the NPSV
	Improved thermal comfort in homes (comfort taking)	Social benefit, quantified and included in the NPSV
	Improved health outcomes as a result of warmer homes	

Please see Annex B for a description of these costs and benefits.

10. Modelled policy outcomes and impacts

This section summarises the cost-benefit analysis and modelled policy outcomes for the final SRS MEES option. It is structured in the following way:

- Cost-benefit analysis
  - Monetised costs and benefits
  - Net present value (NPV) and benefit-cost ratio (BCR)
  - Split of costs between PRPs and LAs
  - Non-monetised impacts
- Key modelled outcomes
  - Benefit impact estimates
  - Measures installed
  - Comparison of transition impact (EER C) and HEM metrics
- Supplementary analysis on single-HEM metric scenarios
- Comparison against consultation-stage IA modelled output
  - Explanation of key assumption changes
  - Comparison of cost-benefit analysis and key modelled outcomes against the preferred options in the consultation-stage IA

Cost-benefit analysis

Table 8 summarises the monetised costs and benefits, net of the counterfactual and discounted, for government's final position for SRS MEES. This option has been monetised and discounted in line with HMT Green Book Supplementary Guidance on valuing energy use and greenhouse gas emissions. The impacts have been modelled using the DESNZ's NBM, details of which can be found in Annex B alongside the key assumptions and overall modelling approach.

Table 8: Discounted costs and benefits for shortlisted options

2026 price base year and present value; £m	Option 1 (Final)	Option 2 (fabric followed by smart or heat by 2030)	Option 3 (fabric only by 2030)
Capex of installing measures	10,269	11,839	3,083
Capex of re-installing measures	4,597	5,778	1,413
Familiarisation costs	4	4	4
Hassle costs to tenants	124	143	63
Hassle costs to providers	684	791	375
EPC certificate costs	154	171	86
Surveying costs	228	228	228
Total discounted costs (£m)	**16,061**	**18,954**	**5,253**
LRVC energy savings	10,936	12,746	2,826
Air quality benefits	139	150	94
Traded carbon savings	307	431	111
Non-traded carbon savings	3,690	4,227	1,820
Comfort benefits	259	286	287
Health benefits	148	191	8,692
Opportunity cost	(3,932)	(4,292)	(986)
Equity Weighting	3,929	4,581	1,399
Total discounted benefits (£m)	**15,477**	**17,977**	**7,810**
Net-Present Value (NPV)	(584)	(977)	258
Benefit-Cost Ratio (BCR)	0.96	0.95	1.49

Costs stated within this document may differ due to rounding.

A brief description of Table 8 is provided below:

- **Costs drivers:** The majority of the monetised costs are driven by capital costs from the initial installations and re-installations of measures. These costs are highly sensitive to assumptions on transition plan take-up and provider's choice of metric. Section 8 sets out the key assumptions underpinning the modelling and explains the assumed compliance pathways, including transition plan take-up and metric choice assumptions. Table 28 also presents sensitivity analysis on alternative transition plan take-up assumption.
- **Benefit drivers:** The value of LRVC energy and non-traded carbon savings are the largest monetised (positive) benefits, driven by the numbers and type of measures installed. The Fabric metric achieves energy savings through energy efficiency measures, the smart metric through electricity-generating measures, while the Heating System metric achieves energy savings predominantly through installing heat pumps in off-gas grid homes. The overall value of benefits is decreased by the negative benefit (or disbenefit) of reduced housing supply, reflective of the opportunity cost of provider spending on MEES.

- **Value for money:** The final SRS MEES option has a negative NPV and a BCR below 1. However, the strategic rationale is illustrated by Annex C which describes the non-monetised benefits of the policy, such as supporting jobs and improving quality of life, which if able to monetise, would strengthen the value for money beyond what the NPV and BCR suggests. The NPV and BCR are lower than in the Consultation Stage SRS MEES IA, primarily driven by updates to cost estimates (and therefore supply opportunity costs). Further detail on this can be found in Table 15, which provides comparison to the Consultation Stage preferred option with updated inputs, as well as in Section 8 and Annex B.
  It is important to consider the modelled benefits presented in Table 11 alongside the NPV and BCR. The carbon savings and fuel poverty reductions are important contributors to wider government objectives of Net Zero and Fuel Poverty Strategy.
- **Comparison between options:** The Fabric only route has a more attractive BCR and positive NPV compared to the final option and it's important to recognise that these benefits are included in that option too. Modelling has been undertaken on the basis that metrics are chosen in order of cost-effectiveness with the first (typically Fabric) often materially cheaper than the second of Smart Readiness or Heating System. However, in order to fulfil strategic ambitions, the additional investment will be required and this become more apparent in key modelled outcomes below. The outcomes from a Fabric only approach would not be sufficient to warrant an intervention given that so much of the sector is already at or close to the threshold.

Equity weighted cost-benefit analysis

Given the redistribution impacts of this proposal, it is important to consider the relative impacts on different sections of society, their ability to afford the policy costs, and the additional utility received from the monetised policy benefits to the SRS. The equity weight is 1.42 for social housing tenants, calculated in line with the HMT Green Book methodology.[35] Both median population and tenants incomes are derived from a detailed internal assessment undertaken on EHS 2018-19 data.[36] The social tenant equity weighting has been applied to the benefits that social tenants directly benefit from, namely having a reduced energy bill and being able to increase the comfort of their home. Total discounted benefits in Table 8 includes the equity weighting.

Split of PRP and LA costs

Table 9 shows the division of costs between Local Authorities (LAs) and Private Registered Providers (PRPs). These costs have been calculated as a total cost to providers and then apportioned by the number of social housing units owned by LAs and PRPs with are estimated to be below EPC-C. The evidence source used for the split of PRPs and LAs cost is based on EHS 2024/25 data, which indicates that 59% of social homes below EPC-C are owned by PRPs[37][38].

[35] HM Treasury (2020) The Green Book, Annex A3: https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-governent

[36] Based on English Housing Survey 2018-19 data, the median equivalised (after housing costs) income for a household in England was £24,000. The median income for households in SRS homes was lower at £15,800.

[37] MHCLG calculation, using https://www.gov.uk/government/collections/english-housing-survey-2024-to-2025-headline-findings-on-demographics-and-household-resilience; https://www.gov.uk/government/collections/english-housing-survey-2024-to-2025-headline-findings-on-housing-quality-and-energy-efficiency

[38] Note that English Housing Survey data refers to Housing Associations, rather than Private Registered Providers. As a simplification, we refer to PRPs (of which most are Housing Associations). For more information on the distinctions, see https://analysisfunction.civilservice.gov.uk/policy-store/affordable-housing/

Table 9: Division of costs between Local Authorities and Private Registered Providers , preferred option

2026 price base year and present value; £m	Local Authorities	Private Registered Providers
Capex of installing measures	4,210	6,059
Capex of re-installing measures	1,885	2,712
Familiarisation costs	2	2
Hassle costs to tenants	51	73
Hassle costs to providers	280	403
EPC certificate costs	63	91
Surveying costs	94	135
Total discounted costs	6,585	9,476

Non-monetised benefits

There are a number of benefits of the regulation that cannot be appropriately monetised. This is primarily due to a lack of evidence around these benefits preventing quantification of their impact. Benefits to the SRS MEES that fall into this category include supporting jobs, improving quality of life, and supporting groups with protected characteristics. The details of the potential non-monetised benefits have been provided in Annex C.

Key modelled outcomes

In addition to the monetised costs and benefits outlined, there are a number of other outcomes of SRS MEES which have been assessed as part of the IA. These are outlined in Table 10 below.

Table 10: key modelled outcomes for shortlisted options

Note: Outcomes are stated for by the 2039 compliance date only. Other tables may refer to outcomes in terms of the full appraisal period.	**Option 1 (Final)**	**Option 2 (fabric followed by smart or heat by 2030)**	**Option 3 (fabric only by 2030)**
Capex			
Total discounted capex by 2030 (2026 prices)	£3,387m	£6,641m	£2,806m

Total discounted capex by 2039 (2026 prices)	£9,449m	£12,029m	£3,161m
Homes treated			
Number of homes treated by 2030	1,128,592	1,728,253	1,190,788
Number of homes treated by 2039	2,898,110	3,012,127	1,469,141
Number of homes reaching EPC C by 2039	982,540	945,192	702,365
Fuel poverty and bill savings			
Number of homes taken out of fuel poverty by 2030	322,767	370,892	279,469
Number of homes taken out of fuel poverty by 2039	371,134	384,687	284,125
Annual bill savings, per household by 2039 (£ 2030 prices)	203	205	117
Carbon savings			
Non-traded CB5 savings (MtCO2e)	0.959	1.524	0.884
Traded CB5 savings (MtCO2e)	0.353	0.615	0.202
Non-traded CB6 savings (MtCO2e)	1.603	2.321	1.010
Traded CB6 savings (MtCO2e)	0.276	0.378	0.076
Non-traded Lifetime savings (MtCO2e)	19.395	21.726	9.213
Traded Lifetime savings (MtCO2e)	1.306	1.773	0.435
Jobs supported			
Jobs supported by 2030 (annual average)	23,800	46,700	19,700
Jobs supported by 2039 (annual average)	20,400	26,000	6,800

Key insights from Table 10 are:

- **Number of homes treated:** This is the number of homes expected to have measures installed because of the regulation, even if they do not meet the target metrics because of the spend exemption or technical constraints. The final SRS MEES policy is expected to treat 1.1m homes by 2030 and 2.9m homes by 2039,

the more than doubling of homes by 2039 is driven by the split compliance of metrics, as well as homes above EPC C at the policy start date taking additional actions to meet the HEM metrics. At the end of the compliance period, SRS MEES is expected to treat 3 million SRS properties, demonstrating a high-level of sector coverage.

- **Fuel poverty and bill savings impacts:** 323,000 households are modelled to be lifted out of fuel poverty by 2030, increasing to 371,000 households by 2039. This shows that most of the fuel poverty impacts, predominantly driven by EER C, Fabric Performance and Smart Readiness metrics occur by 2030. This indicates that the SRS MEES is effectively targeting fuel-poor households early on. Households receive substantial annual bill savings of £203 by 2039.
- **Carbon savings:** Majority of savings are non-traded emissions, highlighting the savings from installing a heat pump in predominately off-gas grid homes. The increase in carbon savings from CB5 to CB6 indicates the cumulative savings of more homes treated over the compliance period.
- **Jobs supported:** The number of jobs supported is estimated through the modelled capex, so the jobs supported by 2030 and by 2039 reflects the capex profile. Around 23,000 jobs are expected to be supported annually through SRS MEES, increasing slightly to 24,000 jobs by 2039.
- **Comparison between options:** Investment in the second metric increases the properties which benefit from the proposed intervention to make a meaningful impact on strategic objectives particularly the carbon benefits to contribute to the UK's legal obligations for net-zero. Fuel poverty commitments are also anticipated receive notably more benefit. Fabric installations are likely to remain a popular choice for metric 1 based on comparative cost so its benefits will continue to be recognised.

The monetised costs and benefits of the final SRS MEES option are underpinned by the assumed compliance pathways as detailed in Section 8. Table 11 presents the number of measures modelled to be installed through SRS MEES by 2030 and by 2039. Note that the model also installs other measures, the table below presents only the key ones for ease of interpretation; Annex B sets out in full details all measures modelled to be installed.

Table 11: Number of measures modelled to be installed, shortlisted options

	Option 1 (Final)	**Option 2 (fabric followed by smart or heat by 2030)**	**Option 3 (fabric only by 2030)**
Measures installed by 2030			
Cavity wall insulation	76,636	112,354	115,437
Floor insulation	147,636	193,970	194,218

Loft insulation	72,964	116,804	118,937
Draught proofing	331,830	581,402	584,476
Double glazing	39,278	54,674	52,508
Room thermostat	27,779	23,321	27,779
Solar PV	490,533	1,044,729	302,815
Air Source Heat Pumps	54,324	107,317	42,289
Measures installed by 2039			
Cavity wall insulation	131,068	174,396	171,918
Floor insulation	258,772	272,991	263,872
Loft insulation	184,819	194,837	187,081
Draught proofing	1,054,044	1,121,414	1,049,111
Double glazing	64,918	78,168	74,554
Room thermostat	30,846	24,888	27,779
Solar PV	2,179,582	2,249,170	302,815
Air Source Heat Pumps	224,487	240,420	42,289

Key insights from Table 11**:**

- **Fabric measures:** By 2030, fabric measures (all measures above except for Solar PV and ASHP) total to ~696,000 installations, representing around 56% of measures installed by that point. By 2039, total fabric measures installations increase to ~1,724,000, however the share of all measures drops to 42%. This pattern represents the transition plan, whereby providers can meet SRS MEES through EER C by 2030. The decrease in fabric measure proportion represents more providers opting for either Smart Readiness or Heating System metrics as their second metric by 2039.
- **Solar PV:** By 2030, solar PV installations total to 491,000, accounting for around 40% of all measures installed by that point. By 2039, the number of PV increases to 2,180k, rising to 53% of all measures, representing greater share of homes opting to meet Smart Readiness compared to Fabric Performance and Heating System metrics by 2039. This suggests that Smart Readiness is a cost-effective route for a significant proportion of homes treated.
- **Air source heat Pumps (AHSP):** By 2030, ASHP installations total to 54,000, accounting for around 4% of all measures installed by that point. By 2039, the number of installations quadruples to 224,000 but still representing a relatively small share of total measures installed. This suggests that in most cases the Heating

System route is not the most cost-effective route to SRS MEES compliance due to high measure cost, furthermore it also likely reflects more technical barriers to installing ASHP compared to fabric measures and Solar PV.

- **Comparison between options:** The installation counts highlight the additional solar and heat related measures from the final option which will contribute towards achieving strategic ambitions compared to a single metric. Non-fabric measures are seen in Option 3 due to the transition period due to EER C remaining available during the transition period. The transition period awaiting expiry of existing EPCs for properties already at EER C also leads to an increased volume of draught proofing. This is anticipated to often help bridge the gap between EER C and HEM Fabric compliance in a cost-effective way. The volume of installations for Option 2 reflects the requirement to reach 2 metrics earlier.

Justification of the preferred option: Government has taken the decision to implement a standard requiring providers to meet any metric by 2030, followed by any remaining metric by 2039. Despite the higher costs and lower NPV of this option in comparison to other options that were shortlisted, government's chosen option performs strongly against the key strategic objectives of reducing fuel poverty and carbon emissions without significantly delaying the delivery of new homes, therefore provides a balanced pathway that aligns with strategic objectives and offers the strongest overall case for implementation.

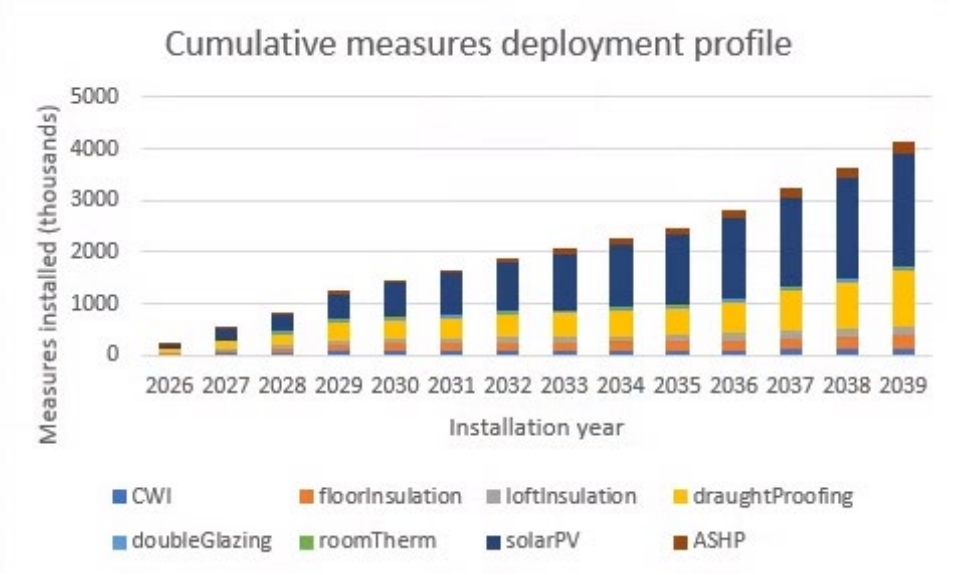
A fabric only option has lower capex (£3,083million) and a higher NPV (£258m), than the option government has decided to take forward. However, while the fabric only option is expected to reduce fuel poverty (taking 284,125 homes out of fuel poverty by 2039) and have a limited impact on new supply (15,000-25,000), this option has worse outcomes for carbon savings (total lifetime savings of 9.648 MtCO2e), low carbon heating deployment (42,289 air source heat pumps installed by 2039), and solar PV deployment (302,815 installations by 2039) than government's chosen option. The fabric only option was therefore discounted due to its poor alignment with government's net zero targets.

Fabric followed by smart or heat by 2030, has higher overall costs (£11,839m) and a lower NPV (-£977m) than the final option selected by government. This option also delivers strong fuel poverty reductions (384,687 homes by 2039) and carbon emissions reductions (23.499 MtCO2e total lifetime savings) and supports low carbon heating and solar PV deployment (240,420 and 2,249,170 installations by 2039 respectively). Despite strong alignment with fuel poverty and net zero objectives, this option was discounted because it would provide a greater impact on providers' capacity to invest in new supply (55,000-110,000) than the preferred option. This larger impact is driven by the more ambitious timeframe for implementation. Meeting two metrics by 2030 requires much greater spending than the preferred option over the next five years, significantly reducing provider capacity to develop new homes in the near term.

Measure deployment profile

To show the profile of modelled measure deployment, the chart below shows the cumulative installation across these measures between 2026 to 2039. The chart is based on inputs from Table 12, as noted above this only captures the key measures; full details on all measures modelled to be installed is provided in Annex B. The cumulative deployment profile shows a broadly uniform rise in installations from 2026, reflecting the compliance assumption set out in Section 8. Fabric measures dominate installations at the

beginning of the compliance period, with solar PV modelled to increase significantly post-2030.



Transition impact and metric take up

Table 12 below shows the annual profile of homes treated through the transition plan route (EER C) and HEM route between 2026 to 2029. This is intended to provide an indicative view of likely take-up of transition plan, as well as profile of homes treated by the transition end date. Alternative transition plan assumptions are tested in the sensitivity analysis Table 28.

Table 12: Homes treated through transition plan and HEM yearly profile

	EER C	HEM C
2026	199,632	0
2027	213,893	89,380
2028	182,589	88,248
2029	180,789	174,061
Total by 2030	776,903	351,689

Supplementary analysis: Modelled Output of Single HEM Metric option

A key assumption underpinning the final SRS MEES policy modelled estimates is the provider's choice of first and second HEM metrics. The modelling assumes that providers will make a cost-effective metric choice, selecting the metric combination that delivers the lowest-cost compliance route to meeting the MEES standard. In reality, however, providers may choose their metric choice on a wider set of considerations, including tenant refusal, technical constraints or incentives through WH:SHF, which could lead to different metric preference.

While it is not feasible to model the full range of potential provider behaviours, the supplementary table below illustrates the maximum potential outcomes for each of the three HEM metrics under a scenario of full take-up. For comparability, assumptions on transition plans and spend exemptions are held constant with the main analysis. For simplicity, the table presents single metric maximum take-up by 2030 scenarios.

Table 13: Key quantifiable outcomes of single HEM metrics scenarios

	Fabric only metric, £10,000 spend exemption, 2039 compliance date	Smart Readiness only, £10,000 spend exemption, 2039 compliance date	Heating System only, £10,000 spend exemption, 2039 compliance date
Number of homes treated	1,469,141	2,609,807	1,562,669
Number of homes taken out of fuel poverty	284,125	387,581	286,070
Non-traded CB5 savings (MtCO2e)	0.884	0.674	3.719
Traded CB5 savings (MtCO2e)	0.202	0.717	(0.298)
Non-traded CB6 savings (MtCO2e)	1.010	0.695	6.192
Traded CB6 savings (MtCO2e)	0.076	0.449	(0.185)
Non-traded Lifetime savings, by 2071 (MtCO2e)	9.002	5.983	56.345
Traded Lifetime savings, by 2071 (MtCO2e)	0.434	1.995	(0.607)
Annual bill savings, per household by 2039 (£) (2030 prices)	£131	£272	£2
Heat pumps installed	42,289	42,289	895,026
Jobs supported (annual average by 2039)	6,600	23,200	12,700

Comparison of consultation and final-stage IA analysis

This section outlines the key updates made to the modelling for the final-stage IA and compares the modelled outputs with the consultation-stage IA.

To reflect consultation feedback and align the modelling with the final SRS MEES policy design, several updates have been incorporated in the final-stage IA modelling, alongside broader model refinements. These updates fall into two main categories: updates reflecting policy changes and updates reflecting refinements to modelling assumptions.

Updates reflecting policy changes

The preferred option in the consultation-stage is to meet a first Fabric Performance metric and a second Smart Readiness or Heating System metric by 2030, with a time-limited £10,000 spend exemption. The modelling has been revised to incorporate the following key changes:

- **Metric Option and Compliance Date** – The model has been updated to reflect the shift from the consultation-stage preferred option, which required dual-metric compliance by 2030, to the final policy design, which requires single metric compliance by 2030, and dual metric compliance by 2039. To reflect the flexibility in choice of metrics, provider's behaviour is modelled using a cost-effectiveness approach, with providers assumed to select the metric that minimises compliance costs.
- **Transition period** – The model has been updated to reflect an extension of the transition period from 2028, assumed in the consultation-stage IA, to 2030. While the share of stock expected to comply through the transition approach remains at 60%, consistent with the assumption in the consultation-stage IA, the duration of the transition effect increases.

Both of these changes result in extended trajectories for measure installation and capex expenditure across the appraisal period.

Updates reflecting modelling assumptions

In addition to the revisions driven by policy changes, the modelling has been updated to incorporate the following key assumption changes and model refinements:

- **Updated fabric metric assumption –** The model now assumes more stringent heat-loss requirement in order to meet Fabric C – tightening from 4 W/m2k to 3 W/m2k, which corresponds more closely to what would be required for properties to meet EER Band C on existing EPCs. This change affects the number of insulation measures required to be installed in order to meet the Fabric metric, resulting in increased costs but also improving the number of homes taken out of fuel poverty and bill savings to tenants.
- **Provider choice of metric** – In the consultation-stage IA, the preferred option was presented as a range, based on top-down assumptions about the proportion of providers choosing Smart Readiness and Heating System for their second metric. The modelling has now been refined to use a cost-effectiveness approach, under which providers are assumed to select metrics that minimises compliance costs. A single central estimate is therefore presented instead of a range. This approach is more aligned with how we expect providers will choose their metrics in practice.

- **General assumption updates** – The time elapsed between consultation-stage and final-stage analysis has required updates to the counterfactual for general installations and interaction with SHDF/WH:SHF. In addition, the price base year and present value have been adjusted to reflect a policy start date of 2026.
- **General model improvements –** General model refinements have been made including improved capturing of impacts related to homes currently at EER Band C or above, as well as a correction to the over-discounting of reinstallation costs in the consultation-stage IA analysis.
- **Review of CBA components –** Following review of the CBA components, the final-stage IA excludes administrative costs, as these are expected to be largely already captured within capital costs, familiarisation costs, surveying costs and the newly added EPC certification costs.

The modelling assumption update and refinements have improved accuracy since the consultation-stage IA. It has also increased the estimated number of homes in scope of SRS MEES requirements, which has increased both the modelled costs and benefits.

A comparison of the consultation-stage and final-stage modelling outputs is provided in Table 14. Two columns relating to the consultation-stage IA have been included: one showing the original IA outputs, and a second presenting a re-run of the consultation stage analysis using the same key assumption parameters as the final stage model to ensure comparability. Unlike Option 2 outlined earlier, this re-run allows the second metric to be installed after 2030 in line with the final preferred option.

Table 14: Comparison of consultation-stage and final-stage preferred option

Values for full appraisal period	**Consultation-stage preferred option (2025 prices and PV terms)**	**Consultation-stage preferred option updated (2026 prices and PV terms)**	**Final SRS MEES policy (2026 prices and PV terms)**
Homes treated	1,670,542 – 2,090,947	2,996,079	2,898,110
Total discounted capex	£7,826m - £8,204m	£15,030m	£14,867m
Average cost per home	£4,488 - £5,292	£5,034	£5,276
Number of homes taken out of fuel poverty	346,635 – 402,715	382,461	399,919
Annual bill savings, per household (2030 prices)	£96 - £165	£199	£203
Total lifetime carbon savings	9.58 - 25.66 MtCO2e	22.452	20.701
Heat pumps	48,425 - 327,405	249,806	224,487
Solar PV	1,042,536 -	2,173,741	2,179,582

	1,827,342		
Total discounted costs	£8,841m - £9,383m	£16,273m	£16,061m
Total discounted benefits	£8,322m - £10,199m	£15,655m	£15,477m
NPV (equity-weighted) (£m)	1,359m - 4,425m	(618)	(584)
BCR (equity-weighted)	1.15 - 1.47	0.96	0.96
NPV (without equity weighting) (£m)	(519) - 815	(4,542)	(4,513)
BCR (without equity weighting	0.94 - 1.09	0.72	0.72

11. Wider impacts on the SRS market

The proposal is expected to generate a number of wider costs and benefits that have not been captured within the cost-benefit analysis, these include:

11.1 Impact on New Supply

The supply estimates capture the 'opportunity cost' of spending on MEES vs. new development. The approach is likely to underestimate the opportunity cost for two reasons: 1) it only estimates the impact on PRP supply, LAs, and 2) the approach captures the impact of spending on MEES versus supply but doesn't take into account the reduction in financial capacity as a result of the reduction in income due to the lower supply. However, the approach does not capture the actual impact on providers' development plans and therefore realised supply, which is likely to be lower. Analysis of business plans by the Regulator of Social Housing suggests that most landlords have already factored in some of the cost of energy efficiency improvements set out within this IA.

The modelling requires several assumptions, given uncertainty regarding landlord behaviour, the extent to which repairs and maintenance expenditure is additional (i.e., above and beyond what landlords have already forecast within their business plans), availability of grant, and the cost of borrowing, among other factors. Here we present scenarios where 50%-100% of the capital expenditure would have been invested in new supply. For context, PRPs spend £10.0bn on repairs and maintenance in 2025, compared to £14.2bn on new supply[39]. The 50-100% parameters represent our lower and upper bounds, with 75% being the midpoint.

[39] Further detail, including the proportion of spend on New Social Housing or Capitalised major repairs specifically, can be found in the 2025 Global Accounts publication - https://assets.publishing.service.gov.uk/media/69662aa68d599f4c09e1ffd4/2025_GA_Final.pdf

The vast majority of new social supply is delivered by PRPs rather than local authorities, with PRPs responsible for 77% of new affordable housing delivery in 2024-25 compared to 16% by LAs (3% unknown)[40]. Delivery by LAs has been typically accounted for a much lower proportion of overall delivery than PRPs, despite facing similar supply costs and constraints. As such, only the costs to PRPs have been used to calculate the value of the potential reduction in supply as a result of MEES. Based on PRP capital costs to 2039 (the initial compliance date), of £7,584m (2026 prices, undiscounted), we estimate — using our central assumptions — that MEES spending will result in between 30,000 and 60,000 fewer homes being delivered to 2040 (assuming a one-year lag to housing supply). At the midpoint, this would equate to approximately 2,000 homes per year. Using Land Value Uplift (LVU) estimates, these reductions in housing supply are valued at £1.9bn-£3.7bn (2026 prices, discounted).

Within the NPSV, we have accounted for the cost of reinstalling measures over the longer appraisal period to 2071. Based on total PRP capital costs for MEES of £14,614m (2026 prices, undiscounted), we estimate — using our central assumptions — that MEES spending will result in between 50,000 and 100,000 fewer homes being delivered over the appraisal period (i.e., including, and not in addition to the initial 30,000-60,000). At the midpoint, this would equate to approximately 2,000 per year to 2040, followed by approximately 600 homes per year to 2071. Using Land Value Uplift (LVU) estimates, these reductions in housing supply are valued at £2.6bn-£5.2bn (2026 prices, discounted).

Note that we would not expect to see this many units removed from future business plans as a result of MEES. There is evidence that the sector is already expecting SRS MEES to be introduced. Based on data from the Regulator for Social Housing, the majority of providers with 1,000 or more properties have factored in meeting the EER C standard into their business plans, as such we expect such actions to contribute towards meeting the primary Fabric metric across all proposed SRS MEES options.[41] Therefore, observed unit losses will likely be lower than those presented. However, as providers could still have invested in new supply in the absence of MEES, it is still accurate to reflect this as an opportunity cost.

11.2 Bill Savings

Bill savings to tenants from improved energy efficiency are estimated using the HMT Green Book retail energy prices. Although these represent a private benefit to tenants, the benefit is, in part, a transfer between energy suppliers and tenant.

Energy suppliers' income can be split into two parts – production costs and profits (assuming abnormal profits). The element of the cost saving to tenants which compensates energy suppliers for their production costs is not a transfer as suppliers are no long doing that activity – this is a net saving. The profits foregone are a transfer, however, are a net benefit to society given that social tenants are statistically lower in the income distribution than the population median.

[40] There is no provider information on the remaining 4% of units – https://www.gov.uk/government/statistics/affordable-housing-supply-in-england-2024-to-2025/affordable-housing-supply-in-england-2024-to-2025#:%7E:text=There%20were%2058%2C958%20new%20build,are%20new%20build%20or%20acquisitions.

[41] 2022 Global Accounts of private registered providers: https://www.gov.uk/government/publications/2022-global-accounts-of-private-registered-providers

We are unable to determine the proportion of supplier income that would have paid for production costs, versus that which would have been profit. As a simplification, the headline metrics include an equity weighting to account for this distributional impact, calculated on the entire bill saving. This will underestimate the benefit to society, given the net effect discussed above. We also present a non-weighted net present value and benefit-cost ratio for comparison.

11.3 Regional impacts

The impacts of SRS MEES are expected to affect regions in proportion to the number of social homes in each region. The distribution of social homes in England is shown in Table 26. London and the North West have the highest proportions of social housing, while the North East and East Midlands have the lowest proportions of social housing. The regions with highest proportion of social housing are expected to bear the highest level of costs from the SRS MEES proposal, although this data does not account for the proportion of these homes that are already at EPC C or above, which the English Housing Survey does not publish. As a simplifying assumption, we expect the number of social homes below the target metric to be proportional with the number of social homes. Wider social benefits, for example LRVC savings, would impact all regions equally so those with fewer social homes would disproportionately benefit from MEES.

Table 15: distribution of social housing in England[42]

Region	Number of social homes (thousands)	Proportion of social housing
East Midlands	350	8
East of England	469	10
London	883	19
North East	278	6
North West	625	14
South East	615	14
South West	382	8
West Midlands	495	11
Yorkshire and The Humber	441	10
Total	4,537	**100**

11.4 Growth Impact Assessment

This section considers how SRS MEES could impact government's growth mission in terms of the following key components:

[42] Private registered providers additional tables; Table 1.4: Private registered provider social housing stock and rents in England 2024 to 2025 - GOV.UK and Local authority registered providers additional tables; Table 1.4: Local authority registered provider social housing stock and rents in England 2024 to 2025 - GOV.UK. Note that regional breakdowns include LCHO (Low Cost Home Ownership) in addition to rented stock, and the data is weighted for non-responses. Percentages have been rounded and so may not sum to 100%.

Table 16: Estimated SRS MEES growth impacts

Growth impact components	Expected magnitude of impact	Justification
Population effects	Limited	SRS MEES will not directly impact population growth or migration. While there are distributional benefits for lower-income groups, there is no direct link to population level changes.
Employment impacts	Moderate	SRS MEES is expected to have a positive impact on the labour demand by supporting an annual average of 20,400 jobs in the retrofit sector by 2039. While this may lead to a net positive effect on employment levels, it is important to consider potential labour displacement effects. Some of these jobs may reflect a transfer of labour between sectors rather than a net increase in total employment. Part of the positive labour demand may be met by those already in the workforce rather than those not in employment (these impacts are therefore largely displaced)
Investment impacts	Limited/moderate	SRS MEES may incentivise social housing providers to invest in retrofit programmes, generating a positive investment impact. However, the extent to which this investment is additional rather than redirected from alternative uses is uncertain.
Productivity impacts	Limited	SRS MEES could have potential productivity benefits through improving the thermal comfort of social homes and reducing the prevalence of cold-related illnesses. The extent of comfort taking arising from SRS MEES is monetised to be £259m in the Table 8 above. The link from improvements in thermal comfort, health and productivity gains are not easily monetised. We have therefore classed such impacts as limited.

11.5 Impacts on Leasehold

The SRS MEES standard may create indirect costs for some owner-occupier leaseholders who live in mixed tenure buildings, where there are some SRS properties in scope of MEES requirements. There may also be implications for leaseholders who have collectively-enfranchised their building but cannot pass on costs of improving their building. We will work with the sector to understand how the DHS will apply to leasehold homes in a manner which is proportionate, effective, and fair for owner-occupiers and landlord leaseholders, and we will provide further details in due course.

Where works to the structure, exterior, or communal areas of a building (rather than works solely within the SRS properties) are required to bring SRS properties up to the MEES threshold, the freeholder may be responsible for the work. These works, such as installation of solar PVs and external wall insulations, could lead to higher costs to freeholders and increased service charges for leaseholders, including those who do not rent out their homes.

The extent to which additional costs may be passed to leaseholders via service charges will depend on the individual lease requirements, particularly whether the lease allows improvements (i.e. upgrading or enhancing the building beyond original condition) to be charged to leaseholders. While most leases require contributions to costs of maintaining and repairing the structure, exterior and communal areas of a building, recovery of costs for improvements (as opposed to repairs) depends on individual lease terms. Where leases do not permit charging for improvements, freeholders may bear these costs.

Due to data limitations, we are unable to estimate the proportion of owner-occupier leaseholders who currently live in properties where works to the structure, exterior or communal area would be required or will do at the point at which SRS MEES is implemented. Therefore, we have not included costs to leaseholders within our NPSV calculations. Instead, we have provided indicative scale of leaseholders which may face indirectly face costs due to SRS MEES.

We estimate there are 554,000 owner-occupied flats whose freeholder is a social housing provider. We estimate the average cost per homes treated through SRS MEES to be £5,276. We will continue to undertake work to better understand the impacts of implementing the DHS and SRS MEES on leaseholders.

12. Business and Household impact

12.1 Equivalent Annual Net Direct Cost to Business & Business Impact Target

The SRS MEES will result in increased costs to providers. Providers of social housing include Local Authority Registered Providers (referred to as LAs in this document) and Private Registered Providers (PRPs, such as not-for-profit housing associations, co-operatives, and for-profit organisations). For the purpose of the EANDCB, only the costs and benefits associated with PRPs have been considered, as local authorities are not in scope of EANDCB and BIT assessments.

The split of LA vs. PRP costs has been determined using data from the English Housing Survey. In 2024/25, there were ~1.5m LA households and ~2.5m PRP households[43]. Of these, 28.6% and 24.4% were estimated to be below EPC-C, respectively[44]. We have combined these data to estimate what proportion of below EPC-C social stock LAs and PRPs own, as a proxy for stock requiring MEES-related works. This results in a cost split of 41%/59% to LAs/PRPs.

[43] https://www.gov.uk/government/collections/english-housing-survey-2024-to-2025-headline-findings-on-demographics-and-household-resilience

[44] https://www.gov.uk/government/collections/english-housing-survey-2024-to-2025-headline-findings-on-housing-quality-and-energy-efficiency

Direct costs determined to be in scope are:

- **capital costs** (installation and reinstallation)
- **familiarisation costs**
- **surveying costs**
- **EPC certification costs**
- **hassle costs of installations to providers**

The monetised benefits of energy efficiency improvements in the SRS are almost entirely felt by the tenant in the form of energy savings, comfort and health benefits, and by society in the form of reduced carbon emissions. As such, there are no direct benefits to business included in this assessment. Unlike in the PRS, providers in the social sector are only able to raise rents by the maximum uplift as set out in the rent settlement, which may not entirely reflect property value uplift.

The direct impacts to business from SRS MEES are therefore the sum of each of the above five components and expected to be felt by PRPs (59% of SRS stock owned), over the appraisal period of the policy. Table 17 below sets out the net direct costs to business alongside the business net present value.

Table 17: EANDCB (£m)

2026 prices, 2026 present value	Final SRS MEES policy
Total discounted direct costs to business	£9,356m
Total discounted direct benefits to business	£0m
Business Net Present Value	(£9,356m)
Net direct cost to business per year[45]	£396m

12.2 Equivalent Annual Net Direct Cost to Household

The policy will also result in direct impacts on households occupying in properties in scope of SRS MEES. While most of the costs are expected to fall on providers, households are expected to face hassle costs from installations, such as time required to clear rooms or learn new systems. Households are expected to receive direct benefits from energy efficiency improvements, including comfort benefits and health benefits.

Direct impacts determined to be in scope are:

- **Hassle costs of installation to tenants**
- **Comfort benefits**
- **Health benefits**

[45] The annualised figures are calculated based on an appraisal period of 46 years, and an annuity rate of 23.645.

The direct impact to households from SRS MEES incorporates the three elements above, over the appraisal period of the policy. Table 18 below sets out the net direct costs to household and score in the business impact test, alongside the net present social value and household net present value.

Table 18: EANDCH (£m)

2026 prices, 2026 present value	Final SRS MEES policy
Total discounted direct costs to household	£124m
Total discounted direct benefits to household	£407m
Household Net Present Value	£282m
Net direct cost to household per year	(£12m)

12.2 Small and Micro Business Assessment

Based on the definition of small businesses defined in the Better Regulation Framework guidance, businesses employing between 10 and 49 full-time equivalent (FTE) employees are classified as small businesses, while businesses employing between one and nine employees are classified as micro businesses.[46] This definition of small and micro businesses (SMBs) needs to be revised for the SRS as providers tend to employ few people relative to their housing stock. Therefore, to assess the impact on small and micro businesses in this IA, an alternative definition has been used to identify small and micro providers. According to the Better Regulation Framework guidance, local authorities are not SMBs; and therefore, they have been excluded from the SaMBA. This section only applies to the social housing units provided by PRPs and excludes those provided by local authorities.

The Regulator of Social Housing (RSH) defines small PRPs as those owning fewer than 1,000 social housing units and large PRPs as those owning 1,000 or more social housing units[47]. Information provided by RSH to MHCLG shows that, on average, PRPs with fewer than 1,000 homes have fewer than 50 staff. According to RSH data, there are around 1,400 PRPs, of which at least 83% have fewer than 1,000 social homes each. This is a conservative estimate; while SMBs (based on the definition of owning less than 1,000 units) comprise most of the sector, only PRPs owning the housing stock below the target metric are required to make any improvements to their properties. In addition, while a smaller proportion of PRPs own more than 1,000 units, they represent more than 95% of the PRP stock.

[46] Better Regulation Framework: https://www.gov.uk/government/publications/better-regulation-framework
[47] As defined in the statistical releases used for this analysis, see previous footnotes

Table 19: number of PRPs and stock owned by PRP size

Size of PRP (units)	**Number of PRPs (weighted)**	**Percentage of total PRPs**
0	120	8.9
1 to 250	840	62.1
251 to 1,000	165	12.2
1,001 to 2,500	53	3.9
2,501 to 10,000	94	7.0
10,001 to 50,000	72	5.3
Over 50,000	8	0.6
Total	**1,352**	**100.0**

The IA does not propose to exempt small and micro businesses from the SRS MEES requirements for the following reasons:

- SMBs are not expected to be disproportionately impacted by the proposal. Although at least 83% of PRPs could be classified as SMBs, they own around 5% of the total PRP stock. As the majority of the costs incurred by PRPs as a result of the proposal are likely to be on a per-property basis – meaning that providers with small property portfolios (and therefore deemed as SMBs, as discussed above) should not be disproportionately burdened by the SRS MEES requirements.

- The RSH indicates that small providers are more likely to provide housing for older people and those with disabilities than larger organisations. The exemption of SMBs would prevent these tenants from benefiting from energy efficiency improvements, such as improving thermal comfort and reducing energy bills.

- A subset of the small providers (e.g., alms houses) are likely to have unusual, and potentially both old and listed stock. This might mean that at least some of the small providers could be disproportionately likely to trigger the exemptions to MEES that are proposed in the DHS consultation or the SRS MEES time limited spend exemption. For more information on proposed exemptions for SRS MEES, please see paragraph 316 of the response to the DHS consultation.[48]

- SMBs can apply for a time-limited spend exemption once they have spent at least £10,000 per property. This exemption will help small PRPs to spread the installation costs across a longer period of time.

- Exempting these PRPs from MEES would not allow the policy to meet its objectives, leaving many tenants still in fuel poverty. Social homes whose landlords are SMBs should not lose out on the opportunity to benefit from energy efficiency improvements.

Based on the justifications set out above, **we have chosen not to exempt small and micro PRPs from the MEES requirements**. The IA acknowledges that PRPs with large property

[48] www.gov.uk/government/consultations/consultation-on-a-reformed-decent-homes-standard-for-social-and-privately-rented-homes/outcome/consultation-on-a-reformed-decent-homes-standard-for-social-and-privately-rented-homes-government-response#meeting-the-standard

portfolios are more likely to be able to spread the installation costs or organise finance over a more significant number of properties, and have historically received more government funding for energy efficiency improvements. We recognise that smaller PRPs might face distinct challenges in meeting requirements. For example, they may not have in-house maintenance staff and therefore be more reliant on external contractors, and they do not have the economies of scale which larger providers may benefit from. In addition, there may be potential disproportionate familiarisation costs to smaller PRPs; the departments will work closely with the RSH to identify proportionate ways to mitigate disproportionate impacts on small and micro PRPs. Mitigation could be in the form of additional guidance, highlighting the support available through the WH:SHF or considering the design of spend exemptions and extensions.

13. Equalities impacts

This section provides an analysis of how the proposal is expected to impact people with protected characteristics, in line with government's guidance on the Equality Duty, implemented via the Equality Act 2010. This guidance suggests the distributional impact of policies should be evaluated with regards to their impact on social groups with certain characteristics, namely:

- Age
- Disability
- Gender
- Gender reassignment
- Pregnancy and maternity
- Race – including ethnic or national origins.
- Religion or belief
- Sexual orientation

Equality analysis of this policy is limited to those characteristics captured by the 2022-23 EHS[49], the 2023-24 EHS[50] and Census 2021[51]. These are age, ethnic minorities, long term illness or disabilities, religion and sex of the household reference person.

The tables below show that:

- SRS households are more likely to be from an ethnic minority background and have a disability or long-term illness when compared to all households in England. As a result, this policy will disproportionately impact these groups.
- Improvements made to social housing properties as a result of SRS MEES are expected to be mostly positive for social housing tenants, who will benefit from lower energy bills, improved thermal comfort, and reduced risk of damp and mould as a result of better energy performance. The majority of household reference persons (head of household who fills in the survey) in the SRS are female, 55.9% compared to 51% for the wider population. It is worth noting that this statistic might not be representative of

49 English Housing Survey 2022 to 2023: housing quality and condition - GOV.UK

50 English Housing Survey 2023-24: https://www.gov.uk/government/collections/english-housing-survey-2023-to-2024-headline-findings-on-demographics-and-household-resilience

51 Census 2021: https://www.ons.gov.uk/datasets/TS008/editions/2021/versions/4

the proportion of females in the total SRS population, as the sex of the household reference person is likely not correlated with the sex of other household members.

- Around two thirds of social housing tenants are religious, according to the EHS data, and this is in line with the distribution reported for all tenures.
- As discussed in the "Impact on New Supply" section, the introduction of SRS MEES may divert some funding away from the development of new social housing. This could potentially have negative impacts on individuals currently on social housing waiting lists. While we do not hold data on the characteristics of those waiting for social housing, it is reasonable to assume that they reflect similar demographics to existing social housing tenants, as discussed above. Although SRS MEES is expected to benefit existing social housing tenants, it could inadvertently affect future supply if resources are diverted. However, this remains a potential impact, as providers may continue to build new homes alongside implementing energy efficiency improvements.

Table 20: percent of the stock by age of household reference person (EHS 2024-25)

	16- 24	25-34	35-44	45-54	55-64	65 or over
Social Housing	3.2%	12.9%	18%	16.9%	21.5%	27.5%
All tenures	2.6%	14.8%	17.5%	16.8%	18.3%	29.9%

Table 21: percent of the stock by ethnicity of household reference person (EHS 2024-25)

	Asian	Black	Other	All ethnic minority	White
Social Housing	5.1%	11.2%	5.4%	21.7%	78.3%
All tenures	7.3%	4.9%	3.5%	15.7%	84.3%

Table 22: percent of the stock by whether a member of the household has a long-term illness or disability (EHS 2024-25)

	Yes	No
Social Housing	61.1%	38.9%
All tenures	37.4%	62.6%

Table 23: percent of the stock by religion of household reference person (EHS 2024-25)

	No religion	Christian	Buddhist	Hindu	Jewish	Muslim	Sikh	Any other religion
Social Housing	36.8%	51.8%	0.8%	0.3%	0.2%	8.3%	0.4%	1.5%
All tenures	39.0%	51.7%	0.6%	1.7%	0.5%	4.7%	0.5%	1.3%

Table 24: percent of the stock by sex of household reference person (EHS 2024-25)

	Males	Females
Social housing	44.1%	55.9%
All tenure	49%	51%

Service charges

For some tenancies, social housing tenant and leaseholders may be required to pay services charges. Rent generally includes all charges associated with the occupation of a property, such as maintenance and general housing management services. Service charges usually reflect additional services which may not be provided to every tenant, or which may be connected with communal facilities. The specific parameters of what can and cannot be passed through to tenants via service charges will be set out in individual tenancy agreements.

14. Regulatory scorecard for preferred option

Part A: Overall and stakeholder impacts

(1) Overall impacts on total welfare		Directional rating
Description of overall expected impact	The preferred option, a primary metric neutral option by 2030, followed by any remaining metric by 2039, is expected to have a net-positive impact on societal welfare. While the NPSV is negative, there are significant benefits for society, some of which are not fully monetised. The benefits associated with reduced energy needs, lower carbon emissions, better health and comfort for tenants, as well as second-order impacts on productivity and employment, are expected to outweigh property upgrade costs and other policy costs.	**Positive**
Monetised impacts	Monetised costs include: • Capital costs of installing measures • Hassle costs of installing measures • Familiarisation costs • EPC certification costs • Survey costs • Opportunity cost (impact on new supply) Monetised benefits include: • Energy savings • Air quality improvements • Reduction in traded and non-traded carbon emissions • Comfort benefits • Health benefits Overall, including equity-weighting, the NPV is -£584m and the BCR is 0.96, indicating borderline-neutral net impact on total welfare.	**Neutral**
Non-monetised impacts	Non-monetised societal benefits include: • Improved energy security • Jobs supported	**Positive**
Any significant or adverse	The policy involves investment by landlords in properties lived in by those who are often have a low income and low savings, and as such we expect there will be positive distributional benefits for tenants. This is because the benefits of energy bill savings and comfort benefits will be experienced by tenants, while the costs will be faced by social	**Positive**

distributional impacts?	housing providers. The policy is expected to improve the quality of social homes, improving England's social housing stock more broadly for the benefit of tenants that occupy social homes in the future.	
(2) Expected impacts on businesses		
Description of overall business impact	For the purpose of this section, only the costs and benefits to PRPs have been considered, as LAs are not in scope, consistent with the approach taken for the EANDCB assessment. More than half of social housing stock in England are provided by Private Registered Providers (such as not-for-profit housing associations, co-operatives, and for-profit organisations).[52] The proposed SRS MEES will result in increased costs to these providers, mainly in terms of the capital expense of installing measures to meet the new MEES. This will negatively affect provider business plans and limit their ability to spend in other areas, although some of this spend will already have been accounted for. While many PRPs will receive government funding to support decarbonisation and energy-efficiency improvements, the analysis in this IA reflects the additional spend required beyond existing or expected future funding. Our estimates of the opportunity cost in terms of lesser housing supply are considered in Section 11.1.	**Negative**
Monetised impacts	Monetised business costs include: • Capex • Familiarisation costs • Hassle costs to providers • Surveying costs • EPC costs As the benefits of energy efficiency improvements are felt by tenants, and the costs borne by landlords, the monetised impacts for businesses are negative.	**Negative**
Non-monetised impacts	Landlords may benefit from appreciation in the value of their properties. However, the extent of this benefit may be limited by landlords' inability to charge rents above government's rent settlement.	**Positive**
Any significant or adverse distributional impacts?	Section 12.1 details how we would define small and micro businesses for the SRS. In general, small PRPs are not expected to be disproportionality impacted by this proposal, as costs will scale proportionally to the number of sub-standard properties owned. However, small providers may have less access to capital and skilled contractors, as well as fewer available staff to understand requirements, which may mean the regulations have a small disproportionate impact on small providers.	**Uncertain**
(3) Expected impacts on households		
Description of overall	Tenant households are expected to benefit from lower energy bills and warmer properties. Due to living in warmer surroundings, tenant health will also be improved.	**Positive**

[52] English Housing Survey 2021 to 2022: social rented sector: https://www.gov.uk/government/statistics/english-housing-survey-2021-to-2022-social-rented-sector - chapter 1, annex table 1

household impact		
Monetised impacts	Monetised household costs include: • Hassle costs to tenants Monetised household benefits include: • Annual bill savings • Comfort benefits • Health benefits As the benefits of energy efficiency improvements are felt by tenants, and the costs borne by landlords, the monetised impacts for households are positive. This does not account for any pass through of landlord costs to tenants via service charges, however there is uncertainty to what extent these charges will materialise as the extent of recoupment via the service charge may depend on the particular circumstances of each case, and other factors, such as the availability of government grants.	**Positive**
Non-monetised impacts	Non-Monetised household benefits include: • Improved quality of life Non-Monetised household costs include: • Potential for increased service charges	**Uncertain**
Any significant or adverse distributional impacts?	Overall, social housing tenants have a lower income and smaller savings in comparison to the majority of households. As such, the proposed policy would benefit most tenants with relatively low incomes when compared to the wider population.	**Positive**

Part B: Impacts on wider government priorities

Category	Description of impact	Directional rating
Broader business environment: Does the measure impact on the ease of doing business in the UK?	In Part A, the impacts of a higher MEES on PRPs were described. Because of the costs to businesses described previously, the proposed policy is likely to reduce the attractiveness of letting properties in the SRS and increase the barrier to entry. Market concentration would be reduced if landlords leave the sector or merge. Conversely, energy efficiency improvements may lower net living costs, support energy security, and reduce health-related economic inactivity. <u>Innovation and market opportunities:</u> The policy will stimulate demand for energy-efficient technologies such as solar PV, heat pumps, and smart energy management systems. This could accelerate innovation in building optimisation, where firms develop integrated solutions to maximise energy efficiency and	**Uncertain**

	minimise costs. Growth in this sector will create new business opportunities, support green jobs, and enhance the UK's position in low-carbon technology markets.	
International Considerations: Does the measure support international trade and investment?	As SRS MEES will only apply to social homes in England, the proposed regulation is expected to have a neutral (neither positive or negative) impact on international trade and investment.	**Neutral**
Natural capital and Decarbonisation: Does the measure support commitments to improve the environment and decarbonise?	The proposed regulation will help the UK towards its Net Zero goal, delivering an estimated 0.959 MtCO2e of non-traded carbon savings for CB5 and 1.603 MtCO2e for CB6.	**Positive**

15. Risks and uncertainties

15.1. Discussion of key risks and uncertainties

This section discusses the key risks and uncertainties in the final-stage IA and presents sensitivity analysis showing how alternative assumptions impact the estimated costs and benefits of SRS MEES. Although the IA is based on the best available evidence, a number of external and modelling factors introduce uncertainties into the outputs. Table 25 below summarises the key uncertainties, the relative impacts of these and propose mitigation through sensitivity testing.

Table 25: Summary of key uncertainties

Key uncertainty	RAG rating	Impact	Mitigation
Final HEM metrics	High	The IA estimates rely on proxy HEM definitions. Differences between these and the final metrics could change both the number of homes in scope and the scale of upgrades required.	Sensitivity analysis on alternative Fabric C heat-loss threshold is carried out. Full sensitivity on all potential HEM definitions is not deemed proportionate.
Measure costs	High	Measure costs assumptions (from the NBM) reflect best available evidence but are subject to change due to market or supply chain conditions.	Sensitivity analysis on alternative measures cost scenarios (-10%/+25%) is carried out.
Transition take-up	High	Providers may choose a different compliance route –	Sensitivity analysis on 100% of providers taking

		transition plan vs HEM by 2030 – in practice than has been assumed. This would impact measures installed and overall outcomes.	up transition plan and 0% (all providers complying through new metrics) is carried out.
Compliance rate	Medium	The IA assumes 100% compliance. Variation in actual compliance rates would influence the modelled costs and benefits.	Sensitivity analysis on alternative compliance rate (90%) is carried out.
Impact on new social housing supply	Medium	Capital spend on MEES may displace investment in new supply. The long-term supply impact is uncertain.	Sensitivity analysis on alternative assumption on capex that would have otherwise been invested in new supply (50-100%) is carried out.
Energy prices	Medium	The IA uses central energy price projection. The benefits from energy savings depend heavily on future energy prices, with costs unaffected.	Sensitivity analysis carried out using HMT's low and high energy price projections.
Carbon values	Medium	The IA uses central carbon value projection. The benefits from energy savings depend heavily on future carbon values, with costs unaffected.	Sensitivity analysis carried out using HMT's low and high carbon value projections.
Appraisal period	Medium/Low	Length of appraisal period affects total costs, benefits, and NPV, especially measure reinstallations.	Sensitivity comparing 46-year (central) and 10-year appraisal periods.

15.2. Sensitivity analysis

This section shows how modelled outcomes for the final SRS MEES policy option vary under these alternative assumptions.

Final HEM metrics – alternative definition of 'C' for the fabric metric

To model properties being upgraded to meet the Fabric Performance metric, this IA has used the SAP-based 'heat loss parameter' (HLP) as a proxy for the metric. A proxy 'C' boundary for dwelling on this metric has been assumed at 3 W/m2k on the basis that this corresponds closely to what would be required for properties to meet EER Band C on existing EPCs. Table 26 shows how modelled outcomes would differ under a less ambitious

'C' boundary of 4 W/m2k, which was the assumption used for the SRS MEES consultation-stage IA.

Table 26: sensitivity analysis for different definition of 'C' for the fabric performance metric

2026 prices and present value, £m	Lower fabric target: 4 W/m2k	Central fabric target: 3 W/m2k
Total social costs, present value (£m)	14,969	16,061
Total social benefits, present value (£m)	14,213	15,477
NPV (£m)	(757)	(584)
BCR	0.95	0.96
NPV (£m) (without equity weighting)	(4,485)	(4,513)
BCR (without equity weighting)	0.70	0.72
Homes treated	2,706,647	2,898,110
Number of homes removed fuel poverty	391,221	399,919
Solar PV	2,214,943	2,179,582
ASHP	210,205	224,487

The sensitivity analysis indicates that adopting a more ambitious 3 W/m2k fabric target increases both costs and benefits compared with a 4 W/m2k target, but results in a negative NPV, whereas the lower fabric target delivers positive NPV. A higher fabric target brings more homes into scope and requires more fabric measures to be installed. The additional benefits outweigh the relatively high incremental costs associated with the higher level of fabric, however results in higher estimate of homes removed from fuel poverty.

Measure costs

The extent to which providers implement energy efficiency improvements will depend on the costs of measures relative to the £10,000 spend exemption. Although this IA uses measure cost assumptions from the NBM, which incorporates our best available evidence, future costs may change due to supply-chain pressures, inflation or technological change. For SRS MEES, a key risk is that increased demand for measures within a constrained supply chain could raise installation costs, reducing the number of upgrades that can be delivered within a given budget.

To test this uncertainty, the final SRS MEES option is tested against “low” and “high” measure cost scenarios applied to the whole period. The low-cost scenario assumes measure costs are 10% lower than the central estimate, while the high-cost scenario assumes costs to be 25% higher.

The HMT Green Book guidance on optimism bias indicates that actual construction costs for standard build project can be up to 24% higher than initial estimates due to appraisers being overly optimistic. The +25% high-cost scenario therefore provides an indicative test of how such optimism bias could impact the IA estimates. On the other hand, SRS MEES could be delivered through lower costs than the IA modelling suggests through increased retrofit demand and economies of scale, so a -10% low-cost scenario is also tested. Taken together, these assumptions provide a reasonable range for assessing the sensitivity of outputs for alternative measure costs assumptions. The impacts of the change in measure costs are summarised in Table 27 below.

Table 27: sensitivity analysis for alternative measure costs scenarios

	Low (-10%)	Central	High (+25%)
Total social costs, present value (£m)	16,491	16,061	15,720
Total social benefits, present value (£m)	17,753	15,477	12,518
NPV (£m)	1,262	(584)	(3,202)
BCR	1.08	0.96	0.92
NPV (£m) (without equity weighting)	(2,981)	(4,513)	(4,303)
BCR (without equity weighting)	0.82	0.72	0.80
Lifetime carbon savings (MtCO2e)	27.895	20.701	12.359
Homes treated	2,995,838	2,898,110	2,739,289
Solar PV	2,248,402	2,179,582	1,960,472
ASHP	363,300	224,487	84,980

The sensitivities in Table 27 show that the high-cost scenario leads to a small reduction in the number of homes treated. As costs increase, more providers reach the £10,000 per property spend exemption, sooner, limiting delivery and reducing both costs and benefits relative to the central scenario. In the high-cost scenario, fewer high-cost measures such as ASHP are installed, which has relatively higher carbon savings and lower thermal comfort benefits than other measures. This contributes to a slightly lower NPV because equity weights apply only to benefits with direct financial impacts on tenants; please see further information on equity weighting in Annex C. Conversely, lower costs enable more homes to be treated and more measures to be installed, in particular more solar PV and ASHP.

Transition take-up

The IA assumes that 60% of social homes below EER Band C will initially comply with SRS MEES through EER C transition-plan route. However, there is inherent uncertainty around

this assumption, particularly because the final HEM metrics have not yet been defined. The relative cost of compliance under the transition route compared to the HEM metric route may influence provider behaviour once the metrics are finalised.

To reflect this uncertainty, the sensitivity analysis below tests two extreme transition scenarios – from 0% (no providers use the transition route) to 100% (all providers with eligible properties initially comply through the transition route). These represents extreme scenarios that are unlikely to occur in practice, but they have been selected to present the broadest range within which all outcomes would fall. This is chosen to reflect the uncertainties with final HEM metrics. The impact of these alternative transition take-up assumptions is presented in Table 28.

Table 28: sensitivity analysis on alternative transition take-up assumptions

	Low: 0% transition take-up	Central: 60% transition take-up	High: 100% transition take-up
Total social costs, present value (£m)	15,166	16,061	16,634
Total social benefits, present value (£m)	13,576	15,477	16,555
NPV (£m)	(1,589)	(584)	(78)
BCR	0.90	0.96	1.02
NPV (£m) (without equity weighting)	(5,090)	(4,513)	(4,237)
BCR (without equity weighting)	0.66	0.72	0.75
Homes treated	2,797,744	2,898,110	2,985,926
Homes reaching EER C	847,969	982,540	1,050,174
Solar PV	2,196,727	2,179,582	2,173,741
ASHP	197,909	224,487	239,144

Impact of changing the compliance rate

The model assumes full compliance from providers; either installing measures to reach the target or registering a valid spend exemption. There may be instances where providers do not take the necessary steps to comply with the regulation and so the impact of only 90% of the social housing stock below EPC C being brought up to the standard has been assessed. Lower compliance rate could be due to several factors including the impact of exemptions not modelled in this IA, such as tenant refusal of access, physical or planning factors

preventing compliance, or exemption due to sale, demolition or planned regeneration of properties – as explained in Section 8.2 in the IA.

Table 29 presents the impact of alternative SRS MEES compliance rate.

Table 29: sensitivity analysis of alternative compliance rate

	90% compliance	100% compliance (central)
Total social costs, present value (£m)	14,456	16,061
Total social benefits, present value (£m)	13,930	15,477
NPV (£m)	(525)	(584)
BCR	0.96	0.96
NPV (£m) (without equity weighting)	(4,062)	(4,513)
BCR (without equity weighting)	0.72	0.72
Homes treated	2,608,299	2,898,110
Solar PV	1,961,624	2,179,582
ASHP	202,039	224,487

The number of homes treated and reaching the target metric reduces, leading to both lower costs and lower benefits. Since all other assumptions besides compliance rate remains the same, the proportion of costs and benefits remains consistent providing the same equity-weighted BCR, but with lower homes treated, solar PV and ASHP deployment.

Impact on New Supply

The total modelled capital expenditure under each option has been converted into potential new supply foregone to demonstrate the opportunity cost of MEES. The estimated supply reduction (presented in Table 31) is converted into resulting loss in land value (presented in Table 32) using a Land Value Uplift methodology as per the MHCLG Appraisal Guide[53], which considers the value of residential land relative to alternative land use.

In line with the appraisal period used in this IA, the impact on new supply is based on the total capital expenditure (until 2071) modelled for each option. The counterfactual position for this analysis assumes that new supply will be built, and therefore the introduction of SRS MEES requirements diverts funds away from building this new supply. These estimates are intended to present the potential opportunity cost to society from meeting SRS MEES requirements. Given the uncertainties around modelling over a long period of time, we have also provided supply impacts to 2039, aligned with the final date for initial compliance.

The supply estimates capture the 'opportunity cost' of spending on MEES vs. new development. The approach is likely to underestimate the opportunity cost for two reasons: 1) it only estimates the impact on PRP supply, LAs, and 2) the approach captures the impact of spending on MEES versus supply but doesn't take into account the reduction in financial capacity as a result of the reduction in income due to the lower supply. However, the approach does not capture the actual impact on providers' development plans and therefore realised supply, which is likely to be lower. Analysis of business plans by the Regulator of Social Housing suggests that most landlords have already factored in some of the cost of energy efficiency improvements set out within this IA.

[53] https://www.gov.uk/government/publications/the-mhclg-appraisal-guide/the-mhclg-appraisal-guide

The modelling requires several assumptions, given uncertainty regarding landlord behaviour, the extent to which repairs and maintenance expenditure is additional (i.e., above and beyond what landlords have already forecast within their business plans), availability of grant, and the cost of borrowing, among other factors. Here we present scenarios where 50%-100% of the capital expenditure would have been invested in new supply. For context, PRPs spend £10.0bn on repairs and maintenance in 2025, compared to £14.2bn on new supply[54]. The 50-100% parameters represent our lower and upper bounds, with 75% being the midpoint.

The vast majority of new social supply is delivered by PRPs rather than local authorities, with PRPs responsible for 77% of new affordable housing delivery in 2024-25 compared to 16% by LAs (3% unknown)[55]. Delivery by LAs has been typically accounted for a much lower proportion of overall delivery than PRPs, despite facing similar supply costs and constraints. As such, only the costs to PRPs have been used to calculate the value of the potential reduction in supply as a result of MEES. Based on PRP capital costs to 2039 (the initial compliance date), of £7,584m (2026 prices, undiscounted), we estimate — using our central assumptions — that MEES spending will result in between 30,000 and 60,000 fewer homes being delivered to 2040 (assuming a one-year lag to housing supply). At the midpoint, this would equate to approximately 2,000 homes per year. Using Land Value Uplift (LVU) estimates, these reductions in housing supply are valued at £1.9bn-£3.7bn (2026 prices, discounted).

Within the NPSV, we have accounted for the cost of reinstalling measures over the longer appraisal period to 2071. Based on total PRP capital costs for MEES of £14,614m (2026 prices, undiscounted), we estimate — using our central assumptions — that MEES spending will result in between 50,000 and 100,000 fewer homes being delivered over the appraisal period (i.e., including, and not in addition to the initial 30,000-60,000). At the midpoint, this would equate to approximately 2,000 per year to 2040, followed by approximately 600 homes per year to 2071. Using Land Value Uplift (LVU) estimates, these reductions in housing supply are valued at £2.6bn-£5.2bn (2026 prices, discounted).

Table 30: private registered supply reduction estimates, capex investment scenarios

Units Lost	**Lower**	**Best**	**Higher**
To initial implementation (2040)	30,000	45,000	60,000
To end of appraisal (2071)	50,000	75,000	100,000

[54] Further detail, including the proportion of spend on New Social Housing or Capitalised major repairs specifically, can be found in the 2025 Global Accounts publication - https://assets.publishing.service.gov.uk/media/69662aa68d599f4c09e1ffd4/2025_GA_Final.pdf

[55] There is no provider information on the remaining 4% of units – https://www.gov.uk/government/statistics/affordable-housing-supply-in-england-2024-to-2025/affordable-housing-supply-in-england-2024-to-2025#:%7E:text=There%20were%2058%2C958%20new%20build,are%20new%20build%20or%20acquisitions.

Table 31: resulting Land Value Uplift (LVU) losses, £m

LVU lost, £m	Lower	Best	Higher
To initial implementation (2040)	1,851	2,777	3,703
To end of appraisal (2071)	2,621	3,932	5,242

The LVU reported in Table 31 is presented in Present Value, real terms. This cost is assumed to be 100% additional, in that none of this development would have occurred without investment from Registered Providers (applicable land would have remained as greenfield or brownfield, without private or public development). In addition, it is assumed that the trade-off between spending on MEES vs supply persists throughout the whole appraisal period.

Note that we would not expect to see this many units removed from future business plans as a result of MEES. There is evidence that the sector is already expecting SRS MEES to be introduced. Based on data from the Regulator for Social Housing, the majority of providers with 1,000 or more properties have factored in meeting the EER C standard into their business plans, as such we expect such actions to contribute towards meeting the primary Fabric metric across all proposed SRS MEES options.[56] Therefore, observed unit losses will likely be lower than those presented in Table 30. However, as providers could still have invested in new supply in the absence of MEES, it is still accurate to reflect this as an opportunity cost.

The central scenario assumes that 75% of capital expenditure PRPs spend towards SRS MEES, could have otherwise been used to develop new social housing supply. Table 32 presents the impact of varying proportion of capex that would be allocated to new supply.

Table 32: sensitivity on changing the new supply assumptions

	Modelling Scenario 1		
	50%	75% (central)	100%
Opportunity costs, present value (£m)	2,621	3,932	5,242
Total social costs, present value (£m)	16,061	16,061	16,061

[56] 2022 Global Accounts of private registered providers: https://www.gov.uk/government/publications/2022-global-accounts-of-private-registered-providers

Total social benefits, present value (£m)	16,788	15,477	14,167
NPV (£m)	727	(584)	(1,894)
BCR	1.05	0.96	0.88
NPV (£m) (without equity weighting)	(3,202)	(4,513)	(5,823)
BCR (without equity weighting)	0.80	0.72	0.64

Energy prices

Future energy prices are uncertain, the value of energy saved by SRS MEES is a major driver of the benefits. The IA uses the central price projections from the HMT Green Book supplementary guidance on valuing energy and greenhouse gas emissions are used.[57] Table 33 shows the sensitivity of the analysis to "high" and "low" price projections. However, energy prices do not directly impact the costs of the policy, only the benefits.

Table 33: sensitivity analysis on energy prices

	Low	Central	High
Total social costs, present value (£m)	16,061	16,061	16,061
Total social benefits, present value (£m)	11,439	15,477	21,313
Bill savings by 2039 (2030)	171	196	239
NPV (£m)	(7,237)	(584)	4,861
BCR	0.70	0.96	1.30
NPV (£m) (without equity weighting)	(8,309)	(4,513)	206
BCR (without equity weighting)	0. 49	0.72	1.01

1. As shown in Table 33, higher energy prices correlate with better value for money as the energy savings, which form a key part of the benefits in CBA, are increased. Therefore,

[57] BEIS (2021) Valuation of energy use and greenhouse gas (GHG) emissions, Data Tables 4-7 and 9-12: https://www.gov.uk/government/publications/valuation-of-energy-use-and-greenhouse-gas-emissions-for-appraisal

when energy prices increase, the NPV and BCR will also increase. Please note that change in energy prices does not change the number of homes that the MEES can treat.

Carbon values

2. The IA uses the central carbon value projections from the Green Book supplementary guidance on valuing energy and greenhouse gas emissions are also used. Table 34 shows the sensitivity of the analysis to using the "high" and "low" carbon values projections. Higher carbon values correlate with higher energy and carbon savings with total costs staying the same, resulting in an increase in the NPV and BCR. The reverse relationship can be observed for the low carbon value scenario and the impact on the NPV and BCR.

Table 34: sensitivity analysis on carbon values

	Low	Central	High
Total social costs, present value (£m)	16,061	16,061	16,061
Total social benefits, present value (£m)	13,478	15,477	17,476
NPV (£m)	(2,582)	(584)	1,415
BCR	0.84	0.96	1.09
NPV (£m) (without equity weighting)	(6,512)	(4,513)	(2,515)
BCR (without equity weighting)	0.59	0.72	0.84

Policy appraisal period

3. In this IA, the impact of setting MEES has been appraised over a 46-year period (from 2026 to 2071) to account for benefits that persist for the full lifetime of measures that are installed. It also accounts for the costs associated with reinstalling measures with a shorter lifetime than the appraisal period. To facilitate comparison with other policies, Table 35 provides the impacts of the modelled MEES scenarios over 10 years are presented here.

Table 35: CBA with a 10-year appraisal period

2026 price base year, present value; £m	**10-year appraisal period**	**46-year appraisal period**
Capex of installing measures	7,165	10,269
Capex of re-installing measures	0	4,597
Familiarisation costs	4	4
Hassle costs to tenants	69	124
Hassle costs to providers	318	683
EPC certificate costs	122	153

Surveying costs	228	228
Total discounted costs	**7,906**	**16,061**
LRVC energy savings	1,851	10,963
Air quality benefits	22	139
Traded carbon savings	158	307
Non-traded carbon savings	512	3,690
Comfort benefits	76	259
Health benefits	109	14
Opportunity cost	(1,847)	(3,932)
Equity Weighting	764	3,929
Total discounted benefits	**1,645**	**15,477**
Net-Present Value (NPV)	(6,262)	(584)
Benefit-cost ratio (BCR)	0.21	0.96
NPV (without equity weighting)	(7,026)	(4,513)
BCR (without equity weighting)	0.11	0.72

16. Monitoring and evaluation

4. Our intention is for monitoring and evaluation for SRS MEES to be captured as part of plans for a wider evaluation of policies designed to improve social housing quality and improve tenants experiences, including reforms to the Decent Homes Standard (DHS), (known as DHS2). The monitoring and evaluation (M&E) strategy for these reforms is still under development. A feasibility study was commissioned, which has helped to determine the strategy and the scale, scope and timing of the work.

5. Given the centrality of social housing quality reforms to government's strategic objectives, the data and evidence requirements for evaluating those reforms are significant. Initial plans centre around a theory-based approach and include impact, process and value-for-money evaluations.

6. A theory of change (ToC) has been developed for SRS MEES. This ToC includes detailed information about policy design, activities, outputs, and expected pathways to outcomes and impacts. The MEES ToC is available in Annex F of this IA. The ToC outlines both intended and unintended outputs, outcomes and impacts. Unintended pathways will be explored through the monitoring and evaluation. For example, we will evaluate the reactions and behaviours of social housing providers to understand the ways in which landlords handle the costs of meeting the regulations.

7. We expect monitoring and evaluation questions relating to MEES to include the following:
    - To what extent did the planned interventions occur? And how did providers implement these interventions?
    - To what extent did social housing quality policies, including MEES, ensure landlords were made accountable for decent and quality homes and housing services?

- Have changes to MEES, DHS and related policies contributed to improved quality and energy efficiency of the housing stock?
- How did tenants respond to changes brought about through social housing quality policies, including MEES. How do tenants perceive the outcomes and benefits of MEES?

8. A full monitoring plan will be developed ahead of the regulations coming into force. The monitoring plan will ensure baseline measurements for the reform package including MEES and DHS are captured, as well as tracking change and progress against targets. Monitoring mechanisms will include Official Statistics such as the English Housing Survey, an annual continuous cross-sectional survey that pairs a household interview with a physical inspection of the home.

9. In addition, government has commissioned housing stock condition modelling at a local authority area, to be delivered regularly throughout the new contract of the English Housing Survey. The modelling methodology will be kept under review to ensure the analysis is fit for the purpose of measuring the impact of MEES and DHS2. The monitoring plan will also make use of administrative sources of data, such as the Energy Performance Certificate (EPC) database to track changes pre and post changes in EPCs.[58] This will be used to support monitoring of the number of properties which are upgraded due to the regulations, providing evidence of the contribution of the policy towards trends in EPCs in the sector. To distinguish between EPC upgrades related to the MEES regulations and those due to wider DESNZ policies, such as Warm Homes: Social Housing Fund, we will deduct the numbers of upgrades related to the latter from the total number of EPCs recorded. This will provide a better estimate of the additional impact of SRS MEES, net of DESNZ capital funding. We anticipate a monitoring framework will be put in place prior to the implementation of SRS MEES.

10. Robust impact evaluation is crucial to ensuring public accountability for major policy initiatives such as the SRS MEES, DHS2 and wider reforms to the sector. It may be possible to develop a logically constructed counterfactual to assess the impact of social housing quality policies on housing decency. This would utilise current and historic English Housing Survey data. The methods for the impact evaluation will be further explored as full monitoring and evaluation begins. A theory-based impact evaluation could use both quantitative and a qualitative data to assess changes before and after implementation. This evaluation would help determine the extent to which the resources and activities derived from social housing quality policies have contributed to the observed changes.

11. In addition, government will explore the implementation of the social housing quality reforms, including SRS MEES, via process evaluation. Process evaluation is used to understand how specific resources and activities associated with a policy have been implemented. For example, it could be used to explore whether setting the new regulations led to landlords increasing service charges to cover retrofit costs. Process evaluation of this kind could involve quantitative and qualitative data: monitoring information; engagement with stakeholders and landlords; tenant panels or interviews with social housing tenants. Qualitative work with landlords will explore the drivers and motivations for making upgrades,

[58] Live tables on Energy Performance of Buildings Certificates: https://www.gov.uk/government/statistical-data-sets/live-tables-on-energy-performance-of-buildings-certificates.

including the contribution of policies such as SRS MEES to these decisions. This will enable in-depth insights which will supplement the monitoring of EPCs, providing a comprehensive perspective on the effects of the regulations relative to wider funding streams. The findings would then be analysed to assess the implementation of new processes, as well as how these might influence the outcomes identified in the impact evaluation.

12. The proposed M&E approach includes plans to evaluate the value for money of the programme, including SRS MEES. Due to the nature and focus of social housing quality policies, a Social Cost Benefit Analysis would likely be best suited. Further detail on the VfM approach will be provided as part of the final M&E plan.

13. The proposed M&E for SRS MEES requires:
    - Quantitative data: including baseline data, monitoring information (MI), and time-series data from sources such as Energy Performance Certificate (EPC), English Housing Survey (EHS), Local Authority Housing Statistics (LAHS), data from the Regulator of Social Housing (RSH), Tenant Satisfaction Measures (TSMs), and Housing Ombudsman Service (HOS) data.
    - Qualitative data: from interviews, focus groups, tenant panels, and case studies.
    - Further data sources which will be explored in the initial stages of the evaluation.

14. The main audience for the proposed M&E will be government, who will use the evidence collected to determine the effectiveness of the MEES and other social housing quality policies in meeting objectives, such as statutory carbon and fuel poverty targets. Citizens will be the final key audience for this evaluation, as the MEES and wider reforms will play a fundamental role in improving the quality of social housing in England, empowering tenants, and driving progress towards Net Zero.

15. To ensure accountability and meet robust standards of government evaluation, a steering group will oversee the project's delivery, ensuring it meets its aims, and an advisory board will ensure it receives expert input from stakeholders including from OGDs and academics on its methodology and identification of useful findings. Outputs from the evaluation will be published in line with the GSR Publication Protocol, ensuring transparency and accessibility to interested stakeholders and the wider public[59].

16. SRS MEES is a significant update to standards for social housing, which will contribute to cross-government objectives across decency, fuel poverty, and net zero. It will also have significant cost implications for the social rented sector. As such, the proposed M&E plan is proportional in terms of the scale and substance of the data collection and methodology.

17. Timings for the M&E work are still to be determined, but any work would likely be carried out in phases and allow for regular review of the scope of the work. These phases would likely

[59] Government Social Research Publication Protocol: https://assets.publishing.service.gov.uk/media/628f647d8fa8f5039107d502/2022-GSR_Publication_protocol_v4_Final.pdf

include a baseline data collection, interim findings, process evaluation findings, and impact evaluation and VfM analysis.

Annex A. Policy Landscape

Reform of the Energy Performance Certificate (EPC)

Energy Performance Certificates (EPCs) are a widely used measure of the energy performance of buildings across the residential, commercial and public sectors, and remain a key tool for promoting improvements in building energy performance. Since their introduction in 2007, EPCs have been required when a property is constructed, sold or let. They provide prospective tenants and buyers with information about the energy performance of a property, while also offering policymakers and markets an important evidence base on the condition of the building stock and supporting individuals to make informed decisions about improving their homes.

Government is now reforming the EPC system, with new metrics and new methodology (the Home Energy Model) due to be introduced. As confirmed in January 2026, EPCs (both reformed certificates and existing ones) will have a 10-year validity period. The reformed EPCs will assess building performance across three metrics, fabric performance, smart readiness, and heating system performance. Further detail on the new metrics and EPC methodology is set out in government's partial response to the Reforms to the Energy Performance of Buildings Regime and in the consultation on how new EPC metrics will be calculated using the Home Energy Model.

Government is proposing to set higher minimum energy efficiency standards for the social rented sector (SRS MEES) using these new metrics once EPC reform is in place. The final SRS MEES design (requiring providers to meet one metric by 2030 and a second metric by 2039, with full flexibility over which metrics are chosen) reflects consultation feedback and will operate using the reformed EPC system. Guidance on how changes to EPC metrics will be managed for SRS MEES is provided in the Government Response.

The Decent Homes Standard

The Decent Homes Standard (DHS) has long played a central role in setting minimum housing quality requirements for all social homes in England. As part of the wider reforms to improve quality in the social rented sector, government has confirmed that the updated DHS will now incorporate a new energy efficiency requirement.

The Government Response to the DHS consultation makes clear that SRS MEES will be implemented through Criterion D (thermal comfort) of the reformed Decent Homes Standard. This means that, from the MEES compliance date of 1 April 2030, social housing providers will be required to meet the updated EPC-based minimum energy efficiency standard as part of complying with the DHS.

Criterion D will encompass the new MEES requirement (meeting EPC C in one metric by 2030 and in a second metric by 2039) and will sit alongside other thermal comfort related expectations within the DHS. These include requirements concerning adequate heating systems, consistent with the broader DHS reform package. Full details of how MEES aligns with Criterion D are set out in the Government Response.

Awaab's Law

Awaab's Law came into force on 27 October 2025, introducing legally binding timeframes for social landlords to investigate and address hazards in social homes. From this date, landlords are required to act within fixed periods to resolve all emergency hazards and all significant damp and mould hazards, reflecting the first phase of the new regulatory framework.

The law is being implemented in three phases. During 2026, its scope is expanding to cover a wider range of serious risks, including excess cold and excess heat, falls, structural safety, fire risks, electrical hazards, and domestic hygiene hazards, where these present a significant risk of harm. By 2027, Awaab's Law will extend to all remaining Housing Health and Safety Rating System (HHSRS) hazards, with overcrowding being the only exception.

This phased approach is designed to ensure effective implementation while strengthening tenant protections. Social landlords are expected to prepare for the full expansion of the requirements and continue to comply with their existing duties to keep homes safe and free from Category 1 hazards throughout the transition.

A number of these hazards, including damp and mould and excess cold might result in landlords taking action that will also help them to meet MEES. Conversely, action to meet MEES will mean that homes are less likely to present hazards that meet the Awaab's law threshold.

Warm Homes: Social Housing Fund

The Warm Homes: Social Housing Fund (formerly the Social Housing Decarbonisation Fund) provides grant funding for social housing landlords to improve the energy performance of their properties through the installation of energy efficiency measures and low carbon technologies.

The main objectives of WH:SHF are to tackle fuel poverty, reduce carbon emissions, and deliver warm, energy-efficient homes. WH:SHF will also develop the green economy, support green jobs, and increase supply chain capability and capacity.

The Warm Homes: Social Housing Fund Wave 3 is currently delivering up to £1.29 billion of funding to 143 projects across England. This includes funding offered for 17 Strategic Partnership projects and 121 Challenge Fund projects. Previous waves of the Social Housing Decarbonisation Fund have allocated over £1 billion to upgrade social homes below EPC C to that level.

Warm Homes: Local Grant

The Warm Homes: Local Grant (WH:LG) is a £500 million government-funded fuel poverty scheme delivered by Local Authorities in England. Delivery will run from April 2025 to March 2028, following funding allocation through the 2024 Autumn Budget. A total of 74 projects involving around 271 Local Authorities across England have been awarded funding, representing over 97% of all eligible Local Authorities. These figures reflect the latest confirmed allocations published in 2025 and updated in 2026.

WH:LG supports low-income households living in privately owned homes (owner-occupied or privately rented) with an EPC rating of D-G.

Social housing properties are ineligible for WH:LG funding except for “infill” purposes, capped at 10% of the total homes upgraded in a project. Social housing landlords must also contribute at least 50% of the upgrade cost. Updated policy guidance confirms infill does not require individual justification but must be evidenced for audit purposes.

Local Authorities wishing to run a mixed-tenure retrofit project can combine WH:LG funding for private-sector properties with Warm Homes: Social Housing Fund (WH:SHF) funding for social homes, provided they have been allocated funding under both schemes. This allows coordinated area-based delivery while maintaining separate eligibility rules.

The Energy Company Obligation (ECO)

The Energy Company Obligation (ECO) is a statutory obligation placed on larger energy suppliers to deliver energy efficiency and heating measures to low-income and vulnerable households living in some of the least energy efficient homes across Great Britain.

The current phase, ECO4, began in July 2022 and has now been extended by nine months, following a government consultation, meaning the scheme will run until 31 December 2026 instead of March 2026. The extension aims to provide suppliers with additional time to meet targets and support an orderly closure of the scheme.

Since ECO began in 2013, around 4.4 million measures have been installed across 2.6 million homes up to September 2025. Under ECO4 specifically, approximately 949,800 measures have been installed in around 280,100 households to the same point. ECO4 is expected to deliver carbon savings of around 0.38 MtCO2e per year once all measures are installed.

Households may qualify for ECO4 if they receive means tested benefits; live in the least energy-efficient social housing; or are referred under the ECO4 Flex mechanism by participating local authorities or energy suppliers. Social housing is eligible only where homes are in EPC bands E-G, consistent with scheme rules.

As part of the November 2025 Budget, government confirmed that there will be no successor supplier obligation after ECO4. Instead, future support will transition into the Warm Homes Plan, under which government has committed £1.5 billion of additional grant funding for low-income households, contributing to nearly £15 billion of investment in energy efficiency, making it the largest such programme in UK history.

Between January 2013 and September 2025, an estimated 391,886 socially rented households have received at least one ECO measure, according to DESNZ’s Household Energy Efficiency Statistics (January 2025).

The Great British Insulation Scheme

Further energy efficiency support is available through the Great British Insulation Scheme (GBIS), which helps reduce household energy bills and improve long-term energy security by lowering energy demand.

GBIS was established in law on 25 July 2023 and is a £1billion scheme focused primarily on delivering single, cost-effective insulation measures to the least energy-efficient homes. The referral service closed to new submissions in late 2025 to allow sufficient time for energy suppliers to complete installations, and the scheme will run until 31 March 2026.

The scheme targets, households in lower Council Tax bands (A-D in England, A-E in Scotland and Wales) with EPC ratings D-G; and low-income and vulnerable households, including those referred by Local Authorities under flexible eligibility routes. As of the latest statistical publication (data to end November 2025), GBIS has delivered, 120,500 measures installed across 89,800 households, with delivery volumes increasing through autumn 2025. Monthly installations between September and November averaged 6,100 measures.

GBIS is expected to help households reduce heating bills by an average of around £250 per year, based on the most recent energy price cap assumptions (April 2025 Ofgem cap).

DESNZ's official GBIS statistics do not publish updated totals specifically for the social rented sector beyond January 2025's estimate. For IA purposes, the latest confirmed figure remains that 5,902 socially rented households had received at least one GBIS measure between April 2023 and December 2024, per the January 2025 Household Energy Efficiency Statistical Release.

Eligibility of social homes for ECO and GBIS

Social housing was not previously eligible for support prior to the ECO2 transition scheme (ECO2t) owing to the relatively high energy efficiency of those properties and the relatively high proportion of funding those homes received under ECO's predecessors. However, we considered that people living in social housing were generally more likely to be living on lower incomes than those in private tenure, and where social tenants live in energy inefficient properties, they would still have a high likelihood of being fuel poor. Therefore, from ECO2t we permitted delivery to social housing bands E, F and G to be eligible for support across Great Britain, giving providers the ability to achieve economies of scale and leverage in other funding sources to facilitate cost-effective delivery to these homes.

Under ECO3, we extended eligibility for social housing properties with an EPC Band D for measures that are delivered under the innovation part of the scheme. When we introduced GBIS, we permitted eligibility to social housing properties with an EPC Band rating of E, F and G. For ECO4, we set out that tenants in social housing would continue to be eligible for First Time Central Heating if the property was in EPC Bands E, F and G.

Social and Affordable Homes Programme

Government is committed to delivering 1.5 million homes. This will improve security for millions of people and unlock essential economic growth. However, we are also committed to the biggest increase in social and affordable housebuilding in a generation.

We have now confirmed a new 10-year £39 billion Social and Affordable Homes Programme to kickstart social and affordable housebuilding at scale across the country. This is the biggest long-term investment in social and affordable housing in recent memory.

The core strategic objective of this new programme will be to maximise supply – particularly of Social Rent homes, with a target to deliver at least 60% of the homes under the programme as Social Rent. This objective ensures we are prioritising delivery of the most affordable homes to help hard working families and lift children out of poverty and homelessness.

National Wealth Fund

The National Wealth Fund (NWF) announced in October 2024 that it will provide financial guarantees that will see Barclays UK Corporate Bank and Lloyds Banking Group deliver £1 billion of funding to accelerate the retrofit of social housing in the UK. In April 2025, the NWF announced a financial guarantee of up to £400 million to cover a series of new loans provided by NatWest Group to registered providers for the retrofit of social housing stock in the UK. In June, the NWF guaranteed an initial £150 million for The Housing Finance Corporation. This brings NWF's total support for social housing retrofit to £1.3 billion. By enabling £1.65 billion of lending through these guarantees, the NWF is ensuring that attractively priced financing is available to every aspect of the social housing market and caters to all needs.

The NWF will help create a stable investment environment by mobilising private capital around government's strategic priorities, enabling the market to invest with confidence in clean energy and growth industries. These deals showcase how innovative public and private expertise can come together to deploy private capital to deliver warmer, greener homes for social tenants. Not only will the flexible and competitively priced loans support housing associations to meet their net zero ambitions, they will also improve the quality of life for their tenants. Improvements such as low carbon heating and insulation create warmer homes, lower bills and better life outcomes.

Private rented sector (PRS) MEES regulations

Government consulted on amending the PRS MEES regulations between 7 February 2025 and 2 May 2025, seeking views on raising standards in line with the wider EPC reform and fuel poverty objectives.

On 21 January 2026, the Government Response to the consultation was published, confirming a final policy design that will: raise PRS MEES to the equivalent of EPC Band C, using the reformed EPC metrics; introduce a single compliance date of 1 October 2030 for all domestic PRS properties; implement a dual-metric standard of a fabric performance standard first, followed by landlord discretion to comply with either a heating system standard or a smart-readiness standard; increase the cost cap to £10,000, with a 10-year validity period for exemptions; allow properties with a current EPC C (including EER C or above on EPCs issued before 1 October 2029) to be recognised as compliant until that EPC expires; expand and amend the exemption framework; exclude short-term lets from scope at this stage pending further engagement.

Government will introduce a new primary legislation to provide the necessary powers for these changes and then to seek to lay a statutory instrument with the aim of it coming into force in 2027 to enable implementation.

Annex B. Modelling Approach

This annex sets out the modelling approach used in this IA, including the key assumptions used in the NBM and CBA, as well as detailed descriptions of costs and benefits assessed.

Description of costs

Costs to providers and tenants

Capital costs of installing measures

These are the costs to providers from the installation of measures to meet SRS MEES, including material and labour costs. The IA modelling accounts for measure lifetime and assumes that any measure reaching the end of its lifetime within the appraisal period will be replaced on a like-for-like basis. Table 45 provides information on the measure lifetime assumptions used in the analysis. As a result, measures with lifetimes shorter than the appraisal period incur both initial installation costs and reinstallation costs. As such, the costs and benefits from initial installations and reinstallations have been included in the cost-benefit analysis and modelling of key outcomes.

Hassle costs of installing measures

These are the costs to capture the inconvenience by both providers and tenants when installing measures to meet the SRS MEES requirements. The hassle costs assumptions are drawn from the ECOFYS report and tailored to the characteristics of the whole SRS housing stock.[60] The ECOFYS report estimates the time requirement for providers to research suitable measures and oversee installations, as well as the additional time tenants spend accommodating works in their homes. The value of tenants' time is monetised using the same valuation of free time applied to providers. Table 45 provides information on the hassle costs assumptions used in the analysis.

Familiarisation costs

Registered Providers of social housing (providers) will incur familiarisation costs to read and understand the new regulatory requirements, as well as update company processes in order to comply with SRS MEES. This cost is expected to be incurred only in the first year of policy implementation.

The final SRS MEES guidance is assumed to be around 10 pages, in line with the existing PRS MEES guidance. We estimate it will take around 1 hour per person to read and understand. The number of staff required will vary by provider size, the IA assumes 10 staff at a small provider and 100 staff at a large provider will need to read and understand the SRS MEES guidance.

Providers will also incur costs from updating internal processes. Drawing on estimates from the Regulator for Social Housing's Tenant Satisfaction Measure (TSMs) IA[61], we assume MEES will require half the time needed as assumed in the TSMs IA, reflecting that repairs and maintenance are already core activities for providers. We therefore assume 33 hours of

[60] See the ECOFYS (2009) "The hidden costs and benefits of domestic energy efficiency and carbon saving measures" report for further details http://webarchive.nationalarchives.gov.uk/20121217150421/http:/www.decc.gov.uk/assets/decc/what%20we%20do/supporting%20consumers/saving_energy/analysis/1_20100111103046_e_@@_ecofyshiddencostandbenefitsdefrafinaldec2009.pdf

[61] Tenant Satisfaction Measures Impact Assessment: https://www.gov.uk/government/consultations/consultation-on-the-introduction-of-tenant-satisfaction-measures

process-update time for small providers and 280 hours for large providers. No additional staff training or upskilling is expected.

Familiarisation and process-update costs are calculated using hourly salary data from ASHE 2025, weighted across relevant staff grades based on methodologies used in the Social Housing Reform Bill IA and Awaab's Law consultation. Salaries are uplifted by 20.2% for non-wage costs, giving an average hourly cost of £26.40 (2025 prices) assumed for familiarisation and £21.52 (2025 prices) assumed for a housing officer for updating internal processes. With approximately 1,200 small providers and 400 large providers, we estimate total familiarisation cost to be £4m. Small providers are defined as those owning fewer than 1,000 dwellings[62].

Surveying costs

These are the costs to providers to identify which homes are in scope of SRS MEES requirements, providers will need to carry out building surveys on their dwellings. This cost is transitionary and applies only in the first two years of policy implementation.

As typically large organisations, providers often have permanent maintenance staff either directly employed or contracted to the organisation who would be capable of carrying out building surveys to some extent. However, given the scale of work required and the breadth of knowledge required to carry out a building survey for MEES, we anticipate most providers will choose to sub-contract the survey work, though this will likely be to large chartered surveying organisations rather than individuals. This is reflective of how most providers undertook recent damp and mould surveys after being instructed to do so by government in November 2022.

As we expect providers to survey their stock using large organisations, we have quantified the impact of doing so based on the expected time this will take and the hourly wage of a chartered surveyor reported in the ASHE uplift for non-wage costs. We expect a building survey to take on average two hours. This is based on how long it takes properties to be surveyed for the physical inspection components of the English Housing Survey (EHS) which includes both health and safety inspections and energy performance inspections, though the exact time will vary depending on factors such as the size of the dwelling. Based on the 2025 ASHE data and account for 20.2% non-wage uplift, the median annual wage for a chartered surveyor is £29.10 (2025 prices).

Assuming there will be around 2.7 million PRP-owned dwellings in 2026 and 1.6 million LA-owned dwellings, the total present value cost to survey all SRS stock is estimated to be £135 million for PRPs and £79 million for LAs. We have assumed that all dwellings will be surveyed in the first two years of implementation.

It is likely that these costs will be an overestimate of the survey costs of MEES, as some providers will likely conduct the surveys in house at a lower cost. Additionally, some providers may not have to conduct surveys if they already have valid EPCs for their stock;

[62] As defined by the RSH: https://www.gov.uk/government/statistics/english-housing-survey-2021-to-2022-social-rented-sector

many social housing providers have already surveyed portions of their stock in order to take part in government funding schemes. However, as information on this is limited, we have taken the conservative approach to assume every SRS dwelling will need to be surveyed as part of MEES. Lastly, there will likely be some overlap with surveying for an updated Decent Homes Standard.

Costs to society

Opportunity cost of using capital to achieve SRS MEES instead of building new supply

These are the costs to society from providers using capital to meet the SRS MEES regulatory requirements instead of building new social housing supply. It is difficult to estimate what providers would have otherwise done with the capital expenditure needed to achieve MEES in the absence of the policy. Although this will vary on a provider basis, inferences can be made by observing past provider spending behaviour as reported by the Global Accounts (GAs). Typical provider activity includes building (or buying) new housing stock for rent, repairing and maintaining existing stock and providing services for tenants.

A significant share of Private Registered Providers' (PRPs') investment activities involves the building of new housing stock, which in turn represents a significant contribution to society in terms of monetised benefits (or disbenefits). The vast majority of new social supply is delivered by PRPs rather than LAs, with PRPs responsible for 79% in 2023/24 (vs. 14% for LAs, 2% unknown).[63] As such, only the MEES costs to PRPs have been used to calculate the value of the potential reduction in supply as a result of MEES.

It is possible to value the societal benefit of new units of housing via the Land Value Uplift (LVU) framework, which measures the net benefit to society of new housing units. In order to calculate how many homes would have been delivered in the absence of MEES, it is necessary to make assumptions about the share of capex that would have otherwise been spent on new supply, as well as the regional and tenure distribution of units that would have otherwise been delivered.

Given the above, in the IA we assume that 75% of PRPs' MEES capital expenditure would have otherwise been spent on supply (a best estimate within a range of 50-100%). This is an estimate based on the fact that the delivery of new social supply is one of their primary activities and the most likely opportunity cost of alternative capital spending, however given current pressures in the sector some providers would likely re-invest some of the capex in strengthening financial resilience or on other activities. The uncertainty of this assumption is explored in Section 10: Risks and Uncertainties, where sensitivity analyses are presented.

Costs to the Regulator of Social Housing (RSH)

[63] Affordable housing supply in England: 2023 to 2024 (MHCLG): https://www.gov.uk/government/statistics/affordable-housing-supply-in-england-2023-to-2024/affordable-housing-supply-in-england-2023-to-2024. There is not provider information available for the remaining 5% of units.

There are currently no MEES requirements for the SRS. It is proposed that the RSH will oversee SRS MEES compliance as part of its wider role in regulating the DHS in the SRS. The RSH may incur familiarisation and regulation costs from the proposal, however these costs have not been monetised in this IA. This is because we expect that SRS MEES compliance can be captured through existing reporting, alongside DHS compliance, as such these costs are expected to be minimal.

Description of benefits

Providers

Improved Decency

Improved energy efficiency is crucial to tackling damp and mould, an adequately heated, ventilated and insulated home prevents condensation which causes damp and mould. SRS MEES will be enforced through the DHS and, by driving up the energy efficiency and improving upon the thermal comfort of social homes, MEES will tackle other areas of non-decency, including Category 1 hazards for Excess Cold and Severe Damp. This will improve the overall quality of SRS homes and make social homes more comfortable for tenants.

Society

Lower energy use, air quality improvements and reduction in greenhouse gas emissions

This is a benefit to society from the installation of energy efficiency improvement measures. The installation of these measures will reduce the total energy used, which will result in energy savings, air quality improvements, and reduce traded and non-traded carbon emissions. The social impact of lower energy use has been estimated using the HMT Green Book's long run variable costs (LRVC) series to avoid accounting of transfers (e.g., taxes and profits) that are included in retail energy prices, in line with guidance. Moreover, the reduction in carbon emissions will help meet the UK's legally binding carbon targets, while the improvement in air quality will reduce adverse health impacts and long-term environmental impacts. These benefits have been monetised in accordance with the HMT Green Book supplementary guidance on valuing energy and greenhouse gas emissions, which includes accounting for the rebound effect.[64]

Reducing the overall amount of energy used will also lead to a reduction in fuel bills. This frees up tenant funds which can be spent on increased energy demand to increase the comfort of the home. This effect is called comfort taking. The IA accounts for this rebound effect by assuming that the energy savings from measures that decrease heat demand will be reduced by 15% to represent comfort taking. This comfort taking benefit is monetised based on the retail energy price series (please find further details on comfort taking below). Given that future energy prices are uncertain, sensitivity analysis on energy prices have

[64] Green Book supplementary guidance: valuation of energy use and greenhouse gas emissions for appraisal: https://www.gov.uk/government/publications/valuation-of-energy-use-and-greenhouse-gas-emissions-for-appraisal

been carried out to demonstrate the impact of alternative energy price projections on the key economic metrics.

Tena

Lower energy costs

The installation of energy performance improvement measures will generate bill saving benefits to some tenants. This benefit is estimated using the HMT Green Book retail energy prices.[65] As the bill saving benefit is a transfer between energy supplier and tenants, it does not result in a net benefit to society and therefore has been excluded from the social cost-benefit analysis. However, this benefit is considered in the equity-weighted social cost-benefit analysis since the reduction in energy bills is valued more highly than the loss of revenue to energy suppliers.

Improved thermal comfort in homes (comfort taking)

Energy performance improvement measures reduce the amount of fuel required to deliver a given level of energy service, meaning that some households will heat their homes to a higher temperature, for a longer period, or heat more rooms in their homes. This is valued at retail energy prices which act as a proxy for the willingness of consumers to pay for the additional comfort. Retail prices are used for the quantification of thermal comfort benefits because it is directly related to energy bills.

Improved health outcomes as a result of warmer homes

By improving the energy performance of the SRS, the SRS MEES proposal will aim to create warmer homes. Living at low temperatures poses a risk to health, with a range of negative morbidity and mortality impacts associated with exposure to the cold. The Marmot Review Team report[66] on cold homes sets out a body of evidence linking low temperatures to negative health outcomes, in particular cardiovascular and respiratory illnesses. These benefits are monetised using the Health Impact Domestic Energy Efficiency Measures (HIDEEM) module of the NBM, this also includes wider societal benefit of reduced costs to the NHS.

HIDEEM simulates the change in relative risk of a range of cold-related morbidity and mortality risks for people living in homes receiving energy efficiency improvements. The changes in relative risk are then converted into Quality Adjusted Life Years (QALYs) and monetised in accordance with Department of Health guidance on health valuation.[67] More detail on the HIDEEM model is provided in Annex B.

[65] The Green Book: appraisal and evaluation in central government: https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-governent
[66] Marmot Review Team (2011). The Health Impacts of Cold Homes and Fuel Poverty: http://www.instituteofhealthequity.org/projects/the-health-impacts-of-cold-homes-and-fuel-poverty
[67] Green Book supplementary guidance: health: https://www.gov.uk/government/publications/green-book-supplementary-guidance-health

Reduction in damp and mould

Incidences of damp and mould are highly correlated with poor energy efficiency, as condensation damp is most prevalent in cold, damp homes. By improving their fabric and energy efficiency, social homes will be warmer and drier, limiting the necessary conditions required for the spread of damp and mould. A reduction in damp and mould will improve health outcomes for tenant as ongoing exposure to large quantities of damp and mould can lead to potentially fatal illnesses, for example in the tragic case of two-year-old Awaab Ishak.

Key assumptions used in the National Buildings Model (NBM)

Modelling assumptions included in this section are standard modelling assumptions used across the domestic energy efficiency space regarding NBM modelling.

Cost assumptions

Capital costs

Table 33 presents the cost of the different measures that are applied to properties in the NBM. Measure costs are calculated by the formula:

$$\text{capital cost} = \text{installation cost} \times (1 + \text{VAT\%})$$

with the following assumptions for each measure are shown in Table 36:

Table 36: measure costs assumptions (2022 prices)

Measure	Installation cost (£)	VAT%
Double glazing	1130.0 + (146.1 x m^2 replaced)	0%
Heat pump	See below	0%
Time temperature zone controls	50.0 x number bedrooms x 2	20%
Low energy lighting	3.5 x bulbs replaced x outlets replaced	20%
Suspended floor insulation	37 x m^2 insulated	0%
Solid floor insulation	74 x m^2 insulated	0%
Hot water tank insulation	20.0	20%
Loft insulation	160 + (5.2 x m^2 insulated)	0%
External wall insulation	For bungalows 4200 + 950 + (107 x m^2 insulated) For non-bungalows: 4200 + 950 + (124 x m^2 insulated)	0%
Cavity wall insulation	270 + (3.2 x m^2 insulated)	0%
Solar photovoltaic (PV)*	$\sum$(peak power per face of dwelling) x $e^{(7.544 - 0.046P + \text{regional\_factor} -0.023(\text{installation\_year} - 2013))}$ Where P = peak power of the system (kWp)	0%
Solar hot water	2425.0 + (670.0 x solar panel aperture area m^2)	0%
Draught proofing	See below	0%

*The regional factors for solar PV are shown in Table 37:

Table 37: regional factors for solar PV cost calculation

Region	Regional factor
East Midlands	-0.003
West Midlands	0.0
East England	0.0
London	0.128
North East	0.042
North West	-0.016
South East	0.089
South West	0.03
Yorkshire and the Humber	0.06

Draught proofing costs

Draught proofing costs are dependent on the size and archetype of the property:

Table 38: draught proofing installations costs by archetype and floor area

Assigned dwelling type	Floor area range (m2)	Draught proofing install costs (£)
Purpose built flat (big)	> 54.29	82.0
Purpose built flat (small)	<= 54.29	48.0
End terrace (big)	> 80.45	123.0
End terrace (small)	<= 80.45	77.0
Semi detached (big)	> 80.45	123.0
Semi detached (small)	<= 80.45	77.0
Detached (big)	> 117.03	214.0
Detached (small)	<= 117.03	104.0
Bungalow (big)	> 117.03	214.0
Bungalow (small)	<= 117.03	104.0
Mid terrace (big)	> 75.5	114.0
Mid terrace (small)	<= 75.5	72.0
Converted flat (big)	> 80.45	82.0
Converted flat (small)	<= 80.45	48.0

Heat pump costs[68]

Heat Pump costs are dependent on the system size, the heating system being replaced and additional fittings such as emitter upgrades. The following assumptions used in the modelling are DESNZ internal estimates.

Table 39: heat pump unit cost assumptions, by size (2022 prices, subject to cost reduction below):

Heat pump size (kW)	GSHP install cost (£)	ASHP install cost (£)	HTHP install cost (£)
1	6041	2740	3782
2			
3			
4			
5		3068	4234
6		3365	4644
7		3639	5021
8		3893	5373
12	7885	4781	6598
16	9525	5532	7634
20	11028	6194	8548

[68] The analysis in the IA only considers GSHP and ASHP for installation. It does not consider installations of High Temperature Air Source Heat Pumps.

24	12432	6793	9375

Heat pump appliance unit costs are reduced by a factor depending on the year of installation (table 40), based on assumptions of costs reducing over time as the market expands through economies of scale and innovation. This profile is assumed to be the case for all heat pumps. In reality, there could be differences in the cost reduction between heat pump types. There are also additional costs associated with installing ASHPs (Table 41) GSHPs (Table 42) and HTHP (Table 43).

Table 40: heat pump cost reduction factors

Year	% of unit cost
2023	1
2024	0.97
2025	0.94
2026	0.91
2027	0.88
2028	0.85
2029	0.8125
2030	0.775
2031	0.7375
2032 and beyond	0.7

Table 41: additional costs associated with installing ASHP (£)

Number of bedrooms	Labour cost (subject to cost reduction below)*	Buffer cost	Cylinder cost	Controls cost	Miscellaneous fitting costs	Emitter upgrades	New emitters[69]
1 - 2	1839	150	780	340	635	1250	3000
3 - 4	3677	271	1130	340	780	1850	4000
5 or more	5516	434	1510	540	935	2450	5000

Table 42: additional costs associated with installing GSHP (£)[70]

Number of bedrooms	Labour cost (subject to cost reduction below)*	Buffer cost	Cylinder cost	Controls cost	Miscellaneous fitting costs	Emitter upgrades	New emitters[71]
1 - 2	4871	150	780	340	850	1250	3000
3 - 4	4871	271	1130	340	1100	1850	4000
5 or more	5601	434	1510	540	1800	2450	5000

Table 43: additional costs associated with installing HTHP(£)

[69] Note, that emitter upgrade costs are included if the dwelling has a wet system, otherwise new emitter costs are included if there is not wet system.
[70] Note that ground collectors are not currently included in the costs of GSHPs. The inclusion of ground collectors would reduce the number of GSHPs assumed to be installed and increase overall costs. However, the GSHPs form a very small proportion of overall measures installed, the omission of this cost element is not expected to notably change the CBA profile of any scenarios.
[71] Ibid.

Number of bedrooms	Labour cost (subject to cost reduction below)*	Buffer cost	Cylinder cost	Controls cost	Miscellaneous fitting costs	Emitter upgrades	New emitters
1 - 2	1747	150	780	340	635	0	1400
3 - 4	3493	270	1130	340	780	0	1900
5 or more	5240	434	1510	540	935	0	2500

*Labour costs are reduced from the above values based on the year of installation (see Table 44 below) based on assumptions of reducing installation times through innovations in installation practices. Both ASHPs and GSHPs are assumed to follow the same labour cost reduction profile overtime. In reality, there could be differences that are being investigated for future analysis.

Table 44: yearly cost reduction factors for labour (%)

Year	% of given labour cost
2023	1
2024	0.9
2025	0.8
2026	0.7
2027	0.6
2028 and beyond	0.5

Additional/alternative costs may be applied where necessary, including removal of an oil tank (£1000).

Energy calculator

A Standard Assessment Procedure (SAP) calculator is used to calculate the energy demand of a dwelling before and after a measure is installed. However, SAP tends to overestimate real world energy savings from energy efficiency measures since, as a benchmarking tool, SAP assumes the same internal temperature and heating pattern in all dwellings. In reality, less efficient homes tend to be heated less, resulting in a lower real world energy demand and therefore energy savings. Tenants living in poorly insulated homes are also likely to be underheating their home in order to save on fuel bills and subsequently increase their heating when measures are installed in order to improve their thermal comfort. This is known as comfort taking. The inputs commonly assumed in SAP also reflect theoretical/standardised measure performance whereas in reality measures may not perform as well.

In order to account for this, the energy calculations have been adjusted in two ways: adjusting the starting energy demand and adjusting for comfort taking. A statistical model of real-world heat demand is used to calculate the starting state of the dwelling, based on the National Energy Efficiency Data-Framework (NEED).[72] The SAP calculator is then used to calculate a percentage theoretical heat demand saving achieved by a measure installation,

[72] The National Energy Efficiency Data-Framework (NEED) matches gas and electricity consumption data, collected for DESNZ subnational energy consumption statistics, with information on energy efficiency measures installed in homes, from government schemes, such as the Energy Company Obligation (ECO) and the Green Homes Grant. It also includes data about property attributes and household characteristics, obtained from a range of sources. Available at: https://www.gov.uk/government/collections/national-energy-efficiency-data-need-framework

which is then applied to a statistical model of real-world heat demand, before a 15% savings reduction is applied to account for comfort taking.[73] The comfort taking reduction is only applied to measure installations that reduce heat demand.

Stock alignment

The domestic stock in the NBM is based on the 2016/17 EHS. To account for energy performance installations that have occurred since then, adjustments have been made to align the stock to current day, by modelling installations that are known to have occurred from government schemes as well as private installations. While there is good data on installations from government schemes, it is more difficult to capture private installations. An internal analysis to align measures with the EHS was undertaken in 2020/21. Taking a proportional approach, the NBM stock has been adjusted by artificially installing measures to match the proportion of homes with those measures to the proportion seen in EHS 2020/21. This is the most up-to-date method without posing a significant resource burden. In addition, the impact of the SHDF has been taken into account by taking the homes treated by the Demonstrator, Wave 1, Wave 2.1 and WH:SHF Wave 3 out of scope of the regulation.

Hassle costs and lifetime of measures

The assumptions on measures lifetimes are drawn from the latest Ofgem publication on ECO3 measures table[74]. The measure lifetime assumption is consistent with assumptions in other schemes, including the SHDF/WH:SHF and ECO4. The lifetime of measures used in the modelling are shown in table 45.

Table 45: hassle costs and measure lifetimes assumed in the modelling (2018 prices)

Energy performance improvement measure	Estimated hidden cost to providers (£)	Estimated hidden cost to tenant (£)	Lifetime (years)
Loft insulation	65	65	42
Cavity wall insulation	75	20	42
Solid wall insulation (external)	205	15	36
Floor insulation	75	55	42
Draught proofing	55	0	10
First time central heating	80	30	42
Boilers	25	0	12
ASHP	160	30	20
Heating controls	30	10	12
Hot water cylinder insulation	5	0	10
Hot water thermostat	30	10	12
Low energy lighting	5	0	10
Double glazing	75	0	20
Solar PV	130	25	30

Solar PV

The SRS MEES model includes solar PV in the selection of measures that can be applied to homes as part of the policy. To accurately reflect the impact solar PV has on SAP ratings

[73] The impacts of household retrofit and domestic energy efficiency schemes: A large scale, ex post evaluation, Energy Policy. Phil Webber, Andy Gouldson, Niall Kerr, 2015

[74] ECO3 Measures Table: https://www.ofgem.gov.uk/publications/eco3-measures-table

and greenhouse gas emission savings, modelling must consider roof coverage, efficiency, and total energy produced and/or sold to the National Grid. Considerable research, testing and collaboration with DESNZ engineers and scientists has been undertaken, and assumptions on efficiency and proportion of generation exported are consistent with those used in modelling for feed-in tariffs. This results in the following assumptions being included in the model:

- the proportion of roof area that can be covered by solar PV per household is assumed to be 30%
- a proportion of the energy produced by the panels is assumed to be used by the household with a proportion of energy produced being exported back to the grid (the proportions will depend on solar PV system size and whether the dwelling has electric heating)
- the efficiency of any solar PV installation is taken to be 17.5%

Health benefits

The assumptions on health benefits comes from the Health Impacts of Domestic Energy Efficiency Measures (HIDEEM) model. HIDEEM uses the EHS as a basis for the analysis. The model is built from a number of interrelated modules covering a building's permeability properties and individual health conditions. Pollutants included in the model that impact on health are particulate matter, tobacco smoke, radon gas and mould growth. The health conditions linked to these pollutants include heart and circulatory diseases, cancers and strokes, as well as respiratory illness and common mental disorders. HIDEEM uses the Quality Adjusted Life Year (QALY) method to monetise these health impacts. Additionally, it considers the cost savings for the NHS due to improved indoor air quality. This involves placing a value on the change in a person's health over time. More details on HIDEEM can be found in Section 6 of the analytical annex for Fuel Poverty: a Framework for Future Action.[75]

Measures installed

Table 46 shows the difference in total numbers of measures installed in each policy option and Table 47 shows the number of individual measures installed. These figures are model estimates and the actual numbers of measures installed in order to meet MEES will differ from this. As such, the tables below are useful for showing the key differences between the metric options and should not be considered target levels for the numbers of measures installed. It is also useful in highlighting why we see differences in the economic outcomes of each policy option. In particular, the tables demonstrate that the model makes similar installations until directed to favour a potential route and the relative cost will impact the overall expenditure as well as headroom under cost caps. Considerations can be balanced against non-monetary interests such as extent of progress towards improved energy efficiency scores.

Table 46: total measures installed under the policy options considered

[75] Fuel Poverty: a Framework for Future Action Analytical Annex: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/211137/fuel_poverty_strategic_framework_analytical_annex.pdf

	Final SRS MEES policy
Total number of measures installed	4,915,627
Total homes treated	2,898,110
Average number of measures installed per home	1.7

Table 47: measures installed under the policy options considered

	Final SRS MEES policy
Low energy lighting	106,211
Draught-proofing	1,054,044
Loft insulation	184,819
Floor insulation	258,772
Filled Cavity wall insulation	131,068
Double glazing	64,918
Room Thermostat	30,846
Time Temperature Zone Control	581,244
Hot Water Cylinder Insulation	78,471
Mains Gas Combi Boiler	21,166
ASHP	224,487
Solar Photovoltaic	2,179,582

Table 48: key assumptions used in the CBA

Key assumption	Description
Policy appraisal period	The policy appraisal period starts in the current year (2026). The end of the appraisal period is set at 2071. An appraisal period of 48 years has been used to capture the full lifetime of benefits from energy efficiency measures installed by 2030. Certain insulation measures are assumed to have lifetimes of 42 years before needing to be replaced. A table on measure lifetime have been provided in Table 45.
Reinstallations	The analysis assumes that measures that reach the end of their useful life before the end of the appraisal period will be replaced on a like-for-like basis. For instance, a heat pump being replaced after 20 years. The assumptions used to estimate reinstallation costs, including capital and hassle costs, are the same as those for a first-time installation.

Provider behaviour	The modelling assumes that providers will install measures based on the proxy definition of the HEM metrics. Measures are installed until the property has reached the metric target, there are no further measures suitable, or the spend exemption has been reached. Under a neutral metric choice, the modelling assumes that providers will adopt a cost-effective approach. Section 15 in the IA explains this in more details.
Compliance rate	The model assumes full compliance from providers; either installing measures to reach the target or registering a valid spend exemption.
Heating systems counterfactual	We assume in the counterfactual that households will replace their existing heating systems with the cheapest option, a like-for-like replacement. These costs are deducted from the installation costs of the low-carbon heating system installed.
Energy, and air-quality emissions costs	Costs have been valued using the 2023 Interdepartmental Analyst Group (IAG) national values. Air quality emissions are valued based on the distribution of the social housing stock between high density and low density urban and rural areas. The biomass assumptions are taken from the latest SAP report.[76] The CBA uses central IAG national values as the central scenario.
Carbon values	The analysis uses the most recently updated IAG carbon values[77]. The biomass assumptions are taken from the latest SAP report. The CBA uses central carbon values as the central scenario.
Hassle costs	The analysis assumes that there will be hassle costs of installing measures to both tenants and providers. The hassle costs assumptions are drawn from the Ecofys report tailored to the characteristics of the whole social rented sector.[78] Please find the hassle costs assumptions used in the modelling summarised in Table 45.
Health benefits	The analysis assumes that certain energy efficiency measures will have associated health benefits. These benefits are monetised using the HIDEEM module of the NBM, including wider societal benefits, such as the reduced costs to the National Health Service (NHS).
Discount factors	The analysis applies standard discount rate (3.5%) to costs and health discount rate (1.5%) to health benefits occurring in the first 30 years of SRS MEES, in line with Green Book recommendations.[79]
Equity weightings	An equity weighting of 1.42 has been applied to financial benefits that are expected to have a redistributive impact to social housing tenants, this includes: bill savings and comfort benefits. The equity weightings have been derived from the 2018-19 EHS, comparing the median equivalised (after housing costs) income for a household in England to that for a social household, raised to the power of 1.3, in line with HMT Green Book guidance.[80] The factor of 1.3 is an estimate of the marginal utility of income.
Price base year	The analysis is presented in 2026 price base year. The latest series of Gross Domestic Product (GDP) deflators have been used to convert all

[76] Standard Assessment Procedure (SAP 10): https://bregroup.com/sap/sap10/
[77] Green Book Supplementary Guidance: https://www.gov.uk/government/publications/valuation-of-energy-use-and-greenhouse-gas-emissions-for-appraisal
[78] The hidden costs and benefits of domestic energy efficiency and carbon saving measures - Final report: http://webarchive.nationalarchives.gov.uk/20121217150421/http:/www.decc.gov.uk/assets/decc/what%20we%20do/supporting%20consumers/saving_energy/analysis/1_20100111103046_e_@@_ecofyshiddencostandbenefitsdefrafinaldec2009.pdf
[79] Green Book Supplementary Guidance Discount Factors: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/936262/Discount_Factors.xlsx

[80] Green Book Distributional Weighting: https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government/the-green-book-2020

	costs and benefits into 2026 prices, this accounts for general inflation in the domestic economy.
Additionality adjustment	To account for the uncertainty that some measures might be installed through other policies, such as future WH:SHF waves, a 10% additionality adjustment have been to all costs and benefits. This accounts for the risk that the analysis may overestimate the number of energy efficiency improvements attributable to SRS MEES. 10% was progressed following consideration of the balance between the budget constraints faced by providers and their business structures promoting good for society alongside the balance between already taking action ahead of MEES and the knowledge it was on the horizon.
Comfort taking benefits	The modelling assumes that the energy savings from measures will be reduced by 15% to represent comfort taking by households. Energy performance improvement measures reduce the amount of fuel required to deliver a given level of energy service, meaning that some households will heat their homes to a higher temperature, for a longer period, or heat more rooms in their homes. This was valued at retail energy prices which acted as a proxy for the willingness of consumers to pay for the additional comfort.

Annex C: Non-monetised benefits of SRS MEES

The annex identifies the non-monetised benefits of the SRS MEES proposal. The introduction of SRS MEES demonstrates the commitment of government to the social housing sector, and improvements in energy efficiency may lead to an increase in the value of these properties. Such effects are expected to send a strong signal to the social housing sector, increase interest in energy efficiency and drive market demand for energy efficiency products, potentially encouraging future developments of the supply chain. Through these mechanisms, the regulation may lead to additional private efforts from providers in the UK, with the wider benefit of demonstrating the UK's commitment to climate change internationally. The table below provides a summary of the non-monetised benefits of the SRS MEES and the likely impact on the NPV and BCR.

Table 49: benefits of the regulation and likely impact on the BCR/NPV

Benefit	Description	Likely impact on BCR/NPV
Removing homes from fuel poverty	Benefit of removing homes from fuel poverty and progressing/contributing towards government fuel poverty targets.	Medium
Improving the quality of social housing	Benefit of improving the energy efficiency and market value of social housing properties.	Medium
Supporting jobs	The proposal will increase demand for the supply of energy efficiency measures, including the installations of these measures. This is expected to generate a benefit through supporting jobs in the retrofit sector and reducing the level of unemployment. However, it is likely to be largely a shift in employment rather than	Low

	generating lots of new jobs. The IA provides an estimate on the number of direct and indirect jobs supported but this impact has not been monetised or included in the cost-benefit analysis as it is not likely to be a significant net social benefit.	
Improving quality of life	The proposal will improve the wellbeing and quality of life of SRS tenants, such as reduction in stress and anxiety from lowered energy bill or a warmer home. This benefit is not fully captured by the monetised health benefit.	Low
Supporting groups with protected characteristics	As outlined in section 13, Equalities Impacts, the proposal is expected to disproportionately benefit people who have a long-term illness or disability or who belong to an ethnic minority as these groups are overrepresented in social housing tenants when compared to the wider population. In particular, over half of households in the social rented sector had one or more household members with a long-term illness or disability, with health benefits already captured in the CBA. For private renters and owner occupiers, this figure is around 30%.	Low
Retrofitting rather than demolishing	Value of improving homes rather than demolishing them	Low
Affordability for social tenants	Benefit of making living costs affordable for social tenants through reduction in energy bills (to the extent that this is not already accounted for within energy bill savings)	Low

Annex D. Critical Success Factors on the Non-Regulatory Options Considered

	Business As Usual	**Regulations**	**Tax incentives**	**Grant funding**
Strategic fit: **Alignment to meeting policy objectives.** **Holistic fit and synergy with all other related Policies, Regulation and Schemes impacting the Social Housing Sector.**	Providers unlikely to make necessary energy efficiency upgrades due to financial constraints and demands for spend on building safety and new supply.	Providers required to improve energy efficiency in social homes, improving the decency of social homes, cutting bills and reducing carbon emissions.	Could incentivise providers to improve energy efficiency in social homes, improving the decency of social homes, cutting bills and reducing carbon emissions.	Could incentivise efficiency in social homes, improving the decency of social homes, cutting bills and reducing carbon emissions.
Supplier capacity and capability:	No increase in demands on providers or retrofit supply chain.	Providers have been expecting an EPC C MEES for some time. Most providers have	Likely to increase demand in the sector, depending on provider uptake	Likely to increase demand in the sector, depending on provider uptake of grant funding

Demonstration ahead of Delivery that the capacity and capability of providers and the retrofit supplier base is at the required level to the programme's demand profile.		already factored this into their business plans in anticipation of a regulatory standard being introduced, and are prepared for the additional demands that MEES will place on providers. Regulations would increase demand for the retrofit supply chain, however, would also signal govt's intended direction of travel for the sector. This certainty could stimulate the supply chain and mitigate constraints on supply chain capacity. The proposed transition approach for MEES is expected to reduce pressure on the supply chain in the lead up to the compliance date, giving providers and suppliers longer to comply with the higher standard.	of tax incentive offer. Impact likely to depend on generosity of offer and length of time it is available for. Some certainty provided for the supply chain, but limited if the offer is short-term.	offer. Impact likely to depend on generosity of offer and length of time it is available for. Some certainty provided for the supply chain but limited if the offer is short-term.
Potential value for money (for govt): **Demonstration that the longlisted option is designed and configured to achieve greatest VfM.**	No costs for govt resulting in minimal improvements to energy efficiency.	No costs for govt with significant improvements to energy efficiency of social homes.	VfM likely to be linked to generosity of the tax incentive offer. Some energy efficiency upgrades likely to be undertaken, with proportional cost to government.	VfM likely to be linked to generosity of the grant funding offer. Fully subsidising energy efficiency improvements likely to be the most expensive option, but likely to deliver significant improvements to the energy efficiency of social homes.

Affordability: **Demonstration by IA modelling that the longlisted options objectives, outcome and benefits are deliverable within providers budgets.**	No additional financial burden placed on providers.	Regulations likely to be the least affordable for providers, however most providers have already accounted for achieving EPC C in business plans in anticipation of meeting an incoming regulatory standard. The spend exemption will protect providers from incurring very high costs to meet MEES by 2030. This will give providers more time to finance the costs of bringing more expensive to treat homes up to the MEES.	Depending on the generosity of the tax incentive offer available, tax incentives could mitigate some of the costs of improving energy efficiency of social homes for providers, allowing the key benefits and outcomes to be delivered without significant financial trade-offs for providers. Providers likely to still have to pay for a significant proportion of the costs of retrofit.	Depending on the generosity of the funding offer available, grant funding could mitigate the costs of improving energy efficiency of social homes for providers, allowing the key benefits and outcomes to be delivered without significant financial trade-offs for providers.
Achievability: **Ability of sector to implement option.**	No additional burdens on providers or wider sector.	Most providers have already factored in meeting EPC C by 2030 into their business plans in anticipation of meeting an incoming regulatory standard. RSH will consult on its revised Safety and Quality standard before enforcing MEES. Government will publish guidance for providers on SRS MEES following the publication of government responses to the EPC reform and HEM consultations, to support the implementation of MEES.	Govt would need to administer tax incentives.	A grant funding scheme would need to be administered, either by govt or a delivery agent. Providers would be required to invest resource into applying for the scheme, and resource any ongoing obligations from the scheme, eg reporting, contractor management.

Annex E. Longlist Options Decision Matrices

This annex provides a summary of the options considered for each policy dimension, indicating whether each option has been progressed from the long list to the short list for further analysis, along with the rationale based on the critical success factors which are outlined in Annex D. For options advanced to the short list, the annex also outlines key risks and corresponding mitigation measures.

Value for money (govt) has been omitted as a critical success factor as regulation does not involve significant costs to government.

A. EPC Metrics for SRS MEES

Option	Decision	Rationale (linked to critical success factors)
A1 – Single metric: Fabric only	Taken forward	• **Strategic fit:** Strong alignment with health and fuel poverty objectives through demand reduction. Weak alignment to carbon budgets, heat pump and solar PV deployment. • **Supplier capacity and capability:** Mature supply chain and well-understood measures. Fewer homes treated means less demand for suppliers. • **Affordability**: Lower costs for providers than dual metric options. • **Achievability:** Simple and well-understood measures. Similar to EER C which many providers have already factored into business plans. **Key risks & mitigations:** • *Risk:* Hard-to-treat homes may face feasibility barriers. *Mitigation:* Use cost caps and exemptions.
A2 – Single metric: Smart readiness-only	Discounted	• **Strategic fit:** Risks poor outcomes without fabric improvements (higher bills, larger systems). Weaker demand reduction. However, good strategic fit for carbon budgets. • **Supplier capacity and capability:** Less mature supply chain and more homes requiring treatment in comparison to a fabric metric. • **Affordability**: Not modelled however single metric means fewer measure requirements. • **Achievability:** Less aligned to EER C than fabric which most providers have already factored into business plans. May be difficult to achieve for many properties. However, may be more achievable for some properties where solar PV has been installed to align with EER.
A3 – Single metric: Heating system-only	Discounted	• **Strategic fit:** Limited direct impact on warmth or energy demand. Weaker alignment to carbon budgets. • **Supplier capacity and capability:** Less mature supply chain and more homes requiring treatment. • **Affordability**: Not modelled however single metric means fewer measure requirements. • **Achievability:** Poor alignment to EER C which most providers have already factored into business plans. May be difficult to achieve for many properties.

A4 – Single metric: Energy cost-only	Discounted	• **Strategic fit:** Poor alignment with EPC reform process which is moving away from energy cost metric. May discourage clean heat adoption due to current fuel price differentials. • **Supplier capacity and capability:** Not modelled however likely most achievable due to familiarity and fewer homes needing treating. • **Affordability**: Not modelled however likely most affordable due to higher numbers of homes at EER C. • **Achievability:** Most achievable due to familiarity and portion of sector who have already factored EER C into business plans.
A5 – Dual metric: Fabric (First) + Smart Readiness (Second)	Discounted	• **Strategic fit:** Prioritises fabric while enabling smart measures. Weaker alignment to carbon budgets. • **Supplier capacity and capability:** Greater supply chain risk due to less flexible dual standard and less mature supply chains compared to fabric. • **Affordability:** High cost due to dual standard, less flexibility to pursue appropriate pathway for property. • **Achievability:** Inflexible; may not be achievable for many properties.
A6 – Dual metric: Fabric (First) + Heating (Second)	Discounted	• **Strategic fit:** Risks over-prioritising heating system upgrades in the short term, which may conflict with affordability and fuel poverty objectives. Stronger alignment to carbon budgets. • **Supplier capacity and capability:** Greater supply chain risk due to less flexible dual standard. Large-scale deployment of low-carbon heating by 2030 would strain supply chains and installer capacity, increasing delivery risk. • **Affordability:** High cost due to dual standard, less flexibility to pursue appropriate pathway for property. • **Achievability:** Inflexible; may not be achievable for many properties. Complexity of heating system upgrades.
A7 – Dual Metric: Smart Readiness + Heating	Discounted	• **Strategic fit:** Weakens demand reduction focus. Under-delivery on warmth goals. Stronger carbon budgets alignment. • **Supplier capacity and capability:** Greater supply chain risk due to less flexible dual standard. • **Affordability:** Higher cost due to dual metric and fewer homes already reaching one of the metrics. • **Achievability:** Less familiarity means more complexity.

A8 – Dual metric: Fabric (First) + Smart or Heating (Second) at landlord's discretion	Taken forward	• **Strategic fit:** Maintains fabric-first while allowing tailored secondary measures (avoids one-size-fits-all). Potential for stronger alignment to carbon budgets. • **Supplier capacity and capability:** Higher supply chain requirements due to dual standard and less mature supply chain for secondary metric. However, flexibility means wider supplier base. • **Affordability:** High cost due to dual standard, however flexibility to pursue value for money pathway for property. • **Achievability:** More ambitious due to dual metric, however flexibility to enable choice and planning. **Key risks:** • *Risk:* Inconsistent outcomes. • *Risk*: not affordable for some providers • *Risk*: not deliverable for supply chain • *Risk*: fabric first pathway not appropriate for some properties
A9 – Average score across metrics	Discounted	• **Strategic fit:** Masks poor performance on critical metrics. Risks poor outcomes if fabric not prioritised. • **Supplier capacity and capability:** Higher supply chain requirements due to dual standard and less mature supply chain for secondary metric. However, flexibility means wider supplier base. • **Affordability:** High cost due to dual standard, however flexibility to pursue value for money pathway for property. • **Achievability:** More ambitious due to dual metric, however flexibility to enable choice and planning. Complex to understand and comply.
A10 – Any two metrics, at landlord's discretion	Discounted	• **Strategic fit:** Blurs sequencing logic; risks neglecting fabric. • **Supplier capacity and capability:** Uncertainty in how providers might comply. Potentially most supplier requirements. • **Affordability**: Uncertainty in how providers might comply. Providers have more flexibility to pursue value for money measures however still requires C against two metrics. • **Achievability:** Providers have more flexibility to pursue most achievable option for properties. Still requires C against two metrics.
A11 – Dual Metric: flexible metric choice	Taken forward	• **Strategic fit:** Fabric metric has strong alignment with health and fuel poverty objectives through demand

		reduction. Smart and heating metric align with carbon budgets, heat pump and solar PV deployment. • **Supplier capacity and capability:** Less supply chain risk than dual specific metric option due to flexible standard. • **Affordability**: High cost due to dual standard, but more flexibility to pursue appropriate pathway for property. • **Achievability:** Dual metric option requires homes to improve in two areas, but more flexibility to pursue appropriate pathway for property. **Key risks & mitigations:** • *Risk:* Hard-to-treat homes may face feasibility barriers. *Mitigation:* Use cost caps and exemptions.

B. Compliance Date for SRS Properties

Option	Decision	Rationale (linked to critical success factors)
B1 – All properties fully compliant by 2030	Taken forward	• **Strategic fit:** Aligns with 2030 fuel poverty target and brings forward bill and carbon savings (compared to later compliance). • **Supplier capacity and capability:** Allows supply chain to ramp up. • **Affordability**: aligns with provider business plans however more challenging for dual metric. • **Achievability:** aligns with most provider business plans however may be more challenging for dual metric. **Key risks & mitigations:** • *Risk:* Supply chain bottle necks • *Risk*: Challenging to deliver for some providers
B2 – Compliance earlier than 2030	Discounted	• **Strategic fit:** Would bring forward reductions in fuel poverty as well as bill and carbon savings. • **Supplier capacity and capability:** Insufficient time for supply chain to ramp up. • **Affordability**: Not affordable for providers or factored into business plans. • **Achievability:** Challenging timelines to deliver.
C4 – Compliance beyond 2030	Discounted	• **Strategic fit:** Misses key policy objectives. • **Supplier capacity and capability:** Would offer more time for supply chain to ramp up for secondary metric.

		• **Affordability**: More affordable for landlords. Risks backloading spend with other net-zero demands. • **Achievability:** Longer delivery window however risks backloading net zero home upgrades.
C4 – Compliance with first metric by 2030, and second metric by 2039	Taken forward	• **Strategic fit:** Aligns with 2030 fuel poverty however delays bill and carbon savings. • **Supplier capacity and capability:** More time for supply chain for secondary metric to ramp up; staggers demand. • **Affordability**: Spreads cost over time so may be more affordable for landlords. • **Achievability:** Longer delivery window for secondary metric. More complex to understand and comply. **Key risks & mitigations:** • *Risk:* delays bill and carbon savings • *Risk*: complex for landlords • *Mitigation*: further explanation of how to meet the standard provided in government response and guidance

C. Spend exemption

Option	Decision	Rationale (linked to critical success factors)
C1 – £10,000 cap with 10-year exemption for both the first and second metrics	Taken forward	• **Strategic fit:** Supports long-term planning and compliance. • **Supplier capacity and capability:** Staggers demand, reduces risk of bottle neck. • **Affordability**: Spreads cost over time so may be more affordable for landlords. • **Achievability:** Adds complexity but also provides certainty and reduces financial burden. **Key risks & mitigations:** • *Risk:* Stalling upgrades in hard-to-treat homes • *Risk*: Complex for landlords • *Mitigation*: Guidance for providers to be published • *Risk*: Limits number of heat pumps installed • *Risk*: Limits number of homes reaching fabric C.
C2 – £15,000 cap with 10-year exemption	Discounted	• **Strategic fit:** Supports long-term planning and compliance with better outcomes as more measures installed. However, diminishing returns in some archetypes.

		• **Supplier capacity and capability:** Staggers demand, reduces risk of bottle neck but less than lower spend exemption. • **Affordability**: Higher financial burden compared to lower spend exemption. • **Achievability:** Adds complexity but also provides certainty and reduces financial burden.
C3 – No spend exemption	Discounted	• **Strategic fit:** More measures installed meaning higher outcomes. However, diminishing returns in some archetypes. • **Supplier capacity and capability:** Risk of bottle neck particularly around hard to treat properties. • **Affordability**: Risks affordability issues. • **Achievability:** Less complex to understand but higher delivery demands including more complex retrofit cases.
C4 – £10,000 cap with less than 10-year exemption	Discounted	• **Strategic fit:** More measures installed meaning higher outcomes. However, diminishing returns in some archetypes. • **Supplier capacity and capability:** Risk of bottle neck particularly around hard to treat properties. • **Affordability**: Higher financial burden. Repetitive processing costs. • **Achievability:** Uncertainty in planning, increased admin burden.
C5 – £10,000 cap with more than 10-year exemption	Discounted	• **Strategic fit:** Risk of delaying measures including bill and carbon savings. • **Supplier capacity and capability:** Further staggers demand so minimises bottlenecks. • **Affordability**: Spreads cost over time so may be more affordable. • **Achievability:** Increased certainty to plan, less ambitious delivery.

D. EPC Transition Arrangements

Option	Decision	Rationale (linked to critical success factors)
D1 – Treat exclusively old-style EER C obtained until reformed EPCs are	Discounted	• **Strategic fit:** Reduced incentives for earlier upgrades under new-style EPCs. • **Supplier capacity and capability:** Risks assessment bottlenecks in run up to new EPCs.

introduced as compliant until expiry		• **Affordability**: Providers must meet new metrics earlier; not factored into business plans. • **Achievability:** May be confusing for providers. Provides less time to familiarise with new metrics.
D2 – Treat EER C on old- or new-style EPC obtained by 2028 as compliant until expiry	Discounted	• **Strategic fit:** Rewards earlier action and avoids penalising upgrades. Delays benefits from new metrics. • **Supplier capacity and capability:** Smooths demand for assessments. • **Affordability**: Spreads higher cost of meeting new metrics. • **Achievability:** Complex compliance rules however more time to familiarise with new metrics. Some alignment with existing business plans, however likely that some providers would need to redo business plans.
D3 – Treat EER C on old- or new-style EPC obtained by 2030 as compliant until expiry	Taken forward	• **Strategic fit:** Rewards earlier action and avoids penalising upgrades. Delays benefits from new metrics. • **Supplier capacity and capability:** Smooths demand for assessments. • **Affordability**: Spreads higher cost of meeting new metrics. • **Achievability:** Complex compliance rules however more time to familiarise with new metrics. Aligns with existing business plans. **Key risks & mitigations:** • *Risk:* Rush to obtain EPCs before 2030. *Mitigation:* Phase communications and monitor assessor capacity. • *Risk:* Delays upgrades and benefits into late 2030s.
D4 – Require new-style EPC immediately; no EER C route	Discounted	• **Strategic fit:** Penalises early action however brings forward benefits of new metrics. • **Supplier capacity and capability:** Creates surge in demand for assessors. • **Affordability**: High short term costs. • **Achievability:** Poor alignment with existing business plans.

Annex F: Theory of Change