

Improving the energy performance of social housing

Lead department	Ministry of Housing, Communities and Local Government (MHCLG)/ Department for Energy and Net Zero (DESNZ)
Summary of proposal	Introduction of Minimum Energy Efficiency Standards (MEES) in the Social Rented Sector (SRS), implemented through the reformed Decent Homes Standard, requiring homes to meet EPC Band C or equivalent, using reformed EPC metrics.
Submission type	Impact assessment – 31 March 2026
Legislation type	Secondary legislation under existing primary powers
Implementation date	1 April 2030 for the first metric; 1 April 2039 for the second metric
RPC reference	RPC-MHCLG-26152-IA-(1)
Date of issue	6 May 2026

RPC opinion

Rating¹	RPC opinion
Fit for purpose	<p>The IA sets out a reasonable problem definition, supported by quantitative evidence on sub-standard housing stock, fuel poverty, health impacts, and carbon emissions. The IA considers non-regulatory and regulatory options, critical success factors and a proportionate Small and Micro Business Assessment tailored to the sector.</p> <p>The preferred option is compared through appraisal against alternatives, with discussion of trade-offs between costs, fuel poverty impacts, carbon savings and effects on new supply. Given the significant cost gap between the shortlisted options, the IA should clarify that the shortlist captures all feasible options.</p>

¹ The RPC opinion rating is based only on the robustness of the rationale, options identification (including SaMBA) and justification for preferred way forward, as set out in the [Better Regulation Framework guidance](#). RPC ratings are fit for purpose or not fit for purpose.

RPC summary

Category	Quality ²	RPC comments
Rationale	Green	The IA identifies the absence of minimum energy efficiency standards in the SRS and quantifies the scale of the problem, including the proportion of stock below EPC Band C and associated fuel poverty, health and carbon impacts. The rationale is supported by evidence on market failures, distributional concerns, and is underpinned by SMART objectives and a theory of change.
Identification of options (including SaMBA)	Green	The IA sets out a structured consideration of options, supported by critical success factors and consultation evidence. Given the step-up in cost between shortlisted options, the Department should clarify the shortlist captures all feasible options. The SaMBA is proportionate, using a sector-specific definition of small providers and explaining why an exemption would undermine objectives.
Justification for preferred way forward	Green	The IA provides a comparative appraisal of shortlisted options, including quantified costs, fuel poverty impacts, carbon savings, and implications for new supply. The preferred option is selected based on trade-offs, with an explanation of why lower-cost or higher-impact alternatives were not chosen.
Regulatory Scorecard	Satisfactory	The IA provides a quantified appraisal of the preferred option and alternatives, supported by extensive sensitivity analysis. The preferred option has a central equity-weighted NPV of -£584 million and a BCR of 0.96, so the justification relies on wider objectives.
Monitoring and evaluation	Good	The IA sets out a credible theory-based approach to monitoring and evaluation, identifies intended evaluation questions and relevant data sources, and links M&E to wider social housing reforms. The plan would be stronger with clearer governance arrangements, responsibilities and indicative timings for delivery and review.

² The RPC quality ratings are used to indicate the quality and robustness of the evidence used to support different analytical areas. The definitions of the RPC quality ratings can be accessed [here](#).

Summary of proposal

The IA explains that the proposal introduces Minimum Energy Efficiency Standards for the Social Rented Sector in England, implemented through Criterion D of the reformed Decent Homes Standard. Social housing providers will be required to ensure their properties meet EPC Band C or equivalent using reformed EPC metrics, with flexibility over which metrics are met and staged compliance dates, so the first metric needs to be met by 2030 and the second by 2039. The policy is intended to improve tenant welfare, reduce fuel poverty, support decarbonisation and provide long-term regulatory certainty to providers and the retrofit supply chain.

The IA describes how the final policy design reflects consultation feedback, particularly concerns about affordability, deliverability and uncertainty around EPC reform. Compared with the consultation stage, the final proposal delays the requirement to meet a second metric until 2039, introduces metric flexibility, and refines transition and spend exemption arrangements to better align with provider business planning cycles.

The Department presents the policy as part of a wider package of reforms to social housing quality, including the reformed Decent Homes Standard, Awaab's Law and existing grant schemes. The IA emphasises that MEES is intended to complement, rather than replace, existing funding and regulatory mechanisms, and that many providers have already anticipated an EPC C-level standard in their planning assumptions.

Rationale

Problem under consideration

The IA states that there are currently no minimum energy efficiency standards in the social rented sector, despite its size and importance within the housing system. While the energy performance of social housing has improved, a significant minority of homes remain below EPC Band C, exposing tenants to higher energy bills, increased risk of damp and mould, and poorer health outcomes. The IA quantifies the scale of the issue and links it to fuel poverty, noting that households in the least efficient homes are substantially more likely to be fuel poor.

The Department links the problem to wider objectives on carbon reduction and energy security. Homes account for a significant share of domestic emissions, and the social rented sector has a high prevalence of gas-heated properties. Without further intervention, the IA reasonably argues that progress towards statutory fuel poverty and carbon targets would be insufficient and uneven.

Argument for intervention

The IA identifies market failures including split incentives between providers and tenants, positive externalities from health and carbon benefits, and equity considerations given the income profile of social tenants. It highlights competing demands on provider budgets, including building safety and new supply, which may crowd out energy efficiency investment in the absence of a regulatory requirement.

Objectives and theory of change

The IA sets out objectives covering energy efficiency, tenant welfare, fuel poverty, carbon emissions and supply-chain development. A commendable theory of change links regulation to provider behaviour, installation of measures and long-term outcomes. The IA acknowledges tensions between objectives, particularly affordability and decarbonisation, and explains how metric flexibility is intended to manage these trade-offs. This section should be strengthened by clearer signposting of how trade-offs will be revisited once EPC reforms are finalised.

Identification of options inc. SaMBA

Identification of long-list options

The IA sets out a longlist, beginning with a Business As Usual (BAU) baseline and progressing through non-regulatory and regulatory options. The Department explains that under BAU there would be continued reliance on voluntary action by providers, existing grant schemes and natural replacement cycles, which would be unlikely to address the remaining stock below EPC Band C at sufficient pace or consistency. This framing provides a credible counterfactual against which alternatives are assessed. The longlist explores energy efficiency standards designs, varying by metric choice, compliance dates, exemption regimes and transition arrangements.

Consideration of alternative options to regulation

The IA explains that grant funding schemes have driven substantial improvement in the social housing stock, but available funding is insufficient to address the remaining problem. The IA notes that reliance on funding alone risks uneven outcomes across providers, and regions, and does not provide long-term certainty to the supply chain. Incentive-based approaches, such as tax or finance mechanisms, are assessed as unlikely to overcome split incentives or deliver minimum standards for all tenants. Information-based approaches are similarly assessed as insufficient given many providers already have access to information on energy efficiency but face binding financial and operational constraints. The IA concludes that regulation is required as the primary intervention, with funding acting as a complementary measure rather than a substitute.

Justification for short-listed options

Using critical success factors and consultation evidence, the IA narrows the longlist. The options are screened using clear critical success factors, including strategic alignment with wider housing reforms, affordability, deliverability, supply-chain capacity and coherence with anticipated EPC reform. The resulting 3 shortlisted options include variants of a dual-metric approach with different compliance dates, as well as a fabric-only option. The IA explains how uncertainty around EPC reform was considered in shortlisting, alongside affordability and provider capacity. Given the step-up in cost between shortlisted options, the Department should clarify the shortlist captures all feasible options.

SaMBA

The IA adopts a sector-specific definition of small providers based on stock size rather than employment, recognising the sector's organisational structure. The IA explains that exempting small providers would significantly weaken tenant outcomes and undermine policy objectives. The IA considers impacts on smaller providers, including financial constraints and capacity, and explains mitigations such as spend exemptions and phased implementation.

Justification for preferred way forward

Identifying impacts and scale

The IA assesses a wide range of relevant impacts for the shortlisted options, including capital costs to providers, impacts on energy bills, fuel poverty outcomes, carbon emissions and potential effects on new supply. These impacts are quantified and supported by sensitivity analysis.

The IA shows the preferred option involves higher upfront costs than lower-ambition alternatives and results in a negative central Net Present Social Value. However, it also delivers greater reductions in fuel poverty and carbon emissions. The scale of these impacts is presented and allows for comparison across options.

Counterfactual and baseline

The IA defines a BAU counterfactual that includes existing grant programmes, natural replacement of measures and expected provider behaviour without regulation. The IA explains how overlaps between funding and regulation are treated to avoid double counting. Baseline assumptions are clearly stated and their limitations acknowledged, particularly for future energy prices and EPC reform.

Evidence and data

The IA draws on a range of data sources, including the English Housing Survey, administrative data and internal modelling. Key assumptions are explained, and uncertainty is explored through extensive sensitivity analysis covering costs, compliance routes and behavioural responses. This provides confidence that the comparative appraisal is not driven by a single set of assumptions.

Uncertainty and risk

The IA explicitly discusses uncertainty related to EPC reform, supply-chain capacity, cost inflation and potential impacts on new housing supply. It explains how flexibility in metric choice and extended compliance timelines are intended to mitigate these risks. While not all uncertainties can be resolved at this stage, they are clearly identified and factored into option selection.

Selection of the preferred option

The Department justifies the preferred option by comparing it with alternatives that are less effective in achieving fuel poverty and carbon objectives, or pose greater risks to affordability and deliverability. The IA estimates the fabric-only option has stronger value-for-money metrics, but was discarded as it performs less well against carbon and wider objectives than the preferred option. A dual-metric option by 2030 was discarded due to affordability and supply-chain constraints. Fabric-only is a do minimum option with £3bn capital cost, whilst the preferred option costs £10bn, close to the maximal dual-metric option of £12bn. Given the step-up in cost, the Department should clarify the selection process captures all feasible options.

Regulatory Scorecard

Part A

The IA presents a quantified social cost-benefit analysis for the preferred option and shortlisted alternatives, with quantified costs and benefits, supported by extensive sensitivity analysis. The scorecard does not include many of the monetised figures presented elsewhere in the IA, and they should be included here to set out the impacts clearly. The preferred option has an equity-weighted NPV of -£584 million and a BCR of 0.96 on central assumptions. The scorecard states unquantified benefits are expected to outweigh costs, but commendably the IA appears to quantify most benefits, suggesting further quantification would have a limited effect on the NPSV and BCR; the Department should clarify.

The IA explains that the main costs fall on social housing providers through capital expenditure, reinstatement, surveying, EPC certification and related compliance activity, while the main direct benefits accrue to tenants and wider society through lower energy bills, comfort, health improvements and carbon reductions.

The IA would be stronger if it provided more assurance that familiarisation and process update costs fully reflect the practical governance and approval steps providers would need to undertake to implement the new requirements.

The IA identifies positive distributional effects for lower-income tenants and explains the role of equity weighting in the appraisal. Following Better Regulation guidance, the equivalent annual net direct cost to households (EANDCH) should not include indirect benefits, such as health impacts, which belong in the NPSV. The IA includes health benefits within the EANDCH, but this direct metric is intended to include only impacts that directly affect households' budgets or time.

Part B

The IA explains that the measure is expected to support decarbonisation and wider social objectives through improved energy efficiency, reduced fuel poverty and lower greenhouse gas emissions, with estimated lifetime carbon savings of 21 MtCO_{2e}. It identifies wider effects on the business environment, including increased demand for retrofit activity and support for jobs in the supply chain, while appropriately recognising trade-offs through the opportunity cost of reduced new social housing supply. The IA states that international impacts are expected to be neutral, as the measure applies only to social housing in England, and it provides detailed discussion of regional and equalities impacts.

Monitoring and evaluation

The IA sets out a theory-based approach to monitoring and evaluation, aligned with the policy objectives and wider reforms to social housing quality. It identifies intended evaluation questions, including delivery performance, behavioural responses by providers and outcomes for tenants.

The Department proposes to draw on a mix of administrative data, survey evidence and qualitative research, and to align evaluation with existing data collection where possible. The IA notes that governance arrangements, responsibilities and timelines for evaluation are still under development.

Regulatory Policy Committee

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