Improving the Energy Efficiency of Socially Rented Homes in England

L&Q Response

September 2025

About L&Q

L&Q is one of the leading housing associations in the country. We house around 250,000 people, mainly from across London, the South East and North West of England. Our vision is that everyone deserves a quality home that gives them the chance to live a good life. We are coming towards the end of our current 5-year strategy and have already made significant progress, including:

- Launching a £3 billion, 15-year major works investment programme that will make sure every resident's home is safe, decent and more energy efficient.
- Implementing a new localised housing management approach that has put 30% more frontline colleagues in local neighbourhoods.
- Improving the quality and responsiveness of our repairs service through a change programme which has already delivered a 20% increase in first-time fix on day-to-day repairs.
- We're also developing new systems and ways of working to improve how we manage our data and information, and how we communicate with residents, particularly vulnerable residents who may need different types of support

However, we are operating in a very challenging economic environment, with rising interest rates, inflated costs and capped rents putting pressure on our ability to spend. We have committed to investing significant sums to bring our homes and services in line with changing regulatory standards, and the decisions we make are centred around safeguarding that investment.

Executive Summary

We are highly committed to improving the quality and energy efficiency of our homes, and support the government's ambition to achieve EPC C across all social housing stock. We advocate for this to be achieved via Option 1 - a dual metric approach combining a primary Fabric Performance standard with a secondary Smart Readiness or Heating System metric. However, we are very concerned that the government has significantly underestimated the costs of achieving EPC C. We therefore believe that the proposed requirement to achieve compliance with MEES by 2030 will present major challenges for social landlords and the sector as a whole and instead advocate for a 2040 compliance date.

We are deeply appreciative of the meaningful and crucial support that the Government has provided social landlords, via the spending review – especially the announcement of a 10-year Affordable Homes Programme (AHP), a 10-year rent settlement, and equal access to building safety funding for social landlords, among other measures. Yet, whilst this funding unlocks long-term value for the sector, the consultation must still be considered in the broader context of existing regulatory demands and business activities (that sit alongside delivering new affordable homes), as well as the other new requirements potentially being introduced by the reformed Decent Homes Standard. Based on current costs and delivery rates, we project that reaching EPC C across our portfolio will not be feasible until 2040. Meeting the 2030 target would require tripling our budget and operational scale over the next five years - an undertaking that is both financially and logistically not possible.

We also believe that a 2030 compliance date could potentially have unintended consequences on the sector, such as widespread regulatory failure, huge impacts upon markets and supply chains and increased pressure on the availability of skilled labour. For example, the sector is not yet equipped to deliver low-carbon heating solutions, particularly air source heat pumps, at the required scale. A later implementation date and lead-in time is therefore vital to maximise impact and manage risk.

We recognise that the current EPC (EER) Bands do not currently align with the government's Net Zero objectives, particularly the transition to low-carbon heat and smart technologies. Therefore, whilst we understand and support these goals, they must be pursued with realistic timelines and adequate financial support.

Without a revised implementation date (e.g. 2040) and substantial grant funding, we anticipate that the sector will struggle to comply. As a result, high levels of non-compliance could have serious implications for governance and financial viability.

Response

Demographic questions

In which capacity are you responding to this consultation?

Housing association/ private-registered provider

If you are responding on behalf of an organisation, please specify which organisation:

L&Q

If responding as an individual, in which region do you live and work?

N/A - I am answering on behalf of an organisation

If you are answering as or on behalf of a registered provider of social housing, in which region(s) do you operate mainly (i.e. where you manage properties, where you carry out work)? Please select all that apply.

North West and London

If you are answering as or on behalf of a registered provider of social housing are the majority of your properties located in urban or rural locations? An urban area is defined as having a population of more than 10,000.

Urban

If you are answering as or on behalf of a registered provider of social housing: how many rental properties do you manage?

40,000+

Consultation Questions

Comparing the Options

1. **Do you agree that the government's preferred option (option 1 dual metric approach) to setting a minimum energy efficiency for the SRS is the most suitable option?**

Yes, we agree in principle with Option 1. At L&Q, we already adopt a 'fabric first' approach to thermal renovation, as this aligns with our strategic priority of improving the thermal efficiency of a home and subsequently reducing fuel poverty and preventing damp and mould in homes. We believe that a fabric-first approach is the most sensible long-term solution and offers the best outcome for residents, as it prepares homes for heat pumps and a decarbonised grid.

We also agree with this Option as we believe that there should be a degree of choice around meeting either Smart Readiness and Heating Systems (second), so as to take account of local issues, such as limited digital access or the capabilities of tenants to operate new technology. Moreover, whilst we are currently prioritising fabric improvements, we understand the importance of a holistic approach to making homes energy efficient. In implementing Option 1, the government can encourage the take up of the likes of renewable technologies (i.e. Solar PV) and heat pumps, and in turn ensure that the supply chain of these measures are developed.

We are extremely concerned about the proposed timelines for achieving EPC C. As outlined in our response to Question 5, adopting a fabric-first approach will be significantly more costly and time-consuming than the government's estimates suggest. Nonetheless, we believe it is essential to prioritise the long-term benefits of a fabric-first approach, over meeting an accelerated compliance deadline. We therefore propose a later implementation date for Option 1, of 2040.

This would also allow additional time for the development of supply chains supporting smart readiness and heating measures, and give landlords greater ability to phase the costs of these works and effectively develop strategies for installing these measures on a large scale.

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

N/A

3. **Are there any other approaches to setting MEES that should be considered (such as an energy cost-based approach)?**

No

4. **If you are answering as a registered provider of social housing, after taking into account your future business plans and the provided assumptions for the requirements for the government's preferred option (option 1), which secondary metric would you most likely to choose for the majority of your housing stock?**

Further analysis on our sub-EPC C stock is yet required, in order to determine what secondary metric is needed for a majority of these homes.

Compliance date

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

We fully support the ambition to bring all homes up to EPC C and remain committed to ensuring that energy efficiency improvements are implemented across as many properties as quickly and effectively as possible. However, we do not believe it is realistically achievable to bring all our homes to EPC C by 2030 via a fabric-first approach, and we believe that the government have seriously underestimated the average cost, per property, of meeting this target. We therefore instead advocate for a compliance date of 2040.

We are concerned that if compliance is required by 2030, there could be mass regulatory failure for us and landlords across the social housing sector. Band C compliance by 2040 still presents itself as a challenging target, but is much more achievable.

Currently, L&Q have approximately 19,400 general needs homes (around 26% of our general needs stock) between EPC Bands D to G. We are currently carrying out a detailed assessment of these homes, to inform the exact costs of our retrofit delivery (and 2026 Decarbonisation Plan).

However, based our most recent stock modelling, undertaken by Turner & Townsend, we expect that we will spend on average at least £21,500 per property to lift these homes to EPC C, through fabric measures only. Approximately 17,500 of our homes will require a fabric only approach, whilst the remaining 2000 will need a mixture of fabric and/or heat and smart measures.

The principal factors driving these high costs include:

a) We have a high percentage of EPC Band D to G homes with solid walls (55%) (compared to 24% of our entire stock).

b) Just over one third of our Band D to G homes are terraced houses located in London, with associated high costs to meet planning requirements for solid wall insulation and heritage windows.

c) 45% of our sub-Band C homes are flats, which often have additional costs that are not accounted for in general cost modelling. For instance, there have been several cases where we have been required to work on leasehold properties or neighbouring Band C flats, to ensure concurrent installation of measures, for technical and planning reasons.

d) Thermal renovation, particularly solid wall insulation, also triggers considerable ancillary costs to prepare the home to receive the measures, which are typically around 30% of our overall spend per property.

It is also important to note that it is usually difficult to plan and therefore limit retrofit costs to a specific target, as we are often required to take a holistic approach to works. This is so we can avoid creating 'cold bridges' or future damage to fabric (i.e. returning to a property at a later date to fit measures that should have been fitted concurrently). Thus, partial treatments, as a way to limit the high costs of undertaking several types of works in one go, are not always possible or practical. Moreover, we have a planned investment programme that details which measures need to be installed in specific properties based on planned investment dates determined by component lifecycles. By aligning our retrofit scenarios with our planned investment works, it is possible for financial savings to be achieved in delivering the scenario outputs, i.e. fitting an air source heat pump where we plan to fit a gas boiler before 2050.

Furthermore, our June 2025 Social Housing Decarbonisation Fund (SHDF) Wave 2 Change Request (based on actual costs incurred to date and property-specific quotations for homes yet to be retrofitted) predicted that to deliver the programme we will spend, on average, £57,000 per property. Notably, the SHDF costs did include ancillary spending and were disproportionately focused on expensive-to-treat properties. However, they nevertheless provide an additional line of evidence to indicate that the government's averaged modelling costs in this consultation simply do not come close to describing L&Q's position.

Our March 2025 updated Asset Investment Plan estimated that the all-in-all costs of bringing all of our homes to a minimum of EPC C would sit at £444m. From the 1st April 2023 to 31 March 2025, we spent £29m on energy efficiency measures, and have an additional £6m assigned to these works within our 2025/26 budget. Therefore, the additional cost of meeting EPC, not included in the Asset Investment Plan and/or our long-term financial plan, is £409m. If compliance is required by 2030, this figure is likely to rise significantly due to inflationary pressures and high demand on a supply chain with limited capacity/skilled personnel.

In summary, achieving EPC C across our portfolio will require an investment exceeding £400 million - regardless of when MEES is implemented. Moreover, if the proposed £10,000 per property spend exemption is introduced, we expect that compliance with these proposals would still cost L&Q at least £194,000,000 by 2030 (£10,000 per 19,400 homes below EPC C).

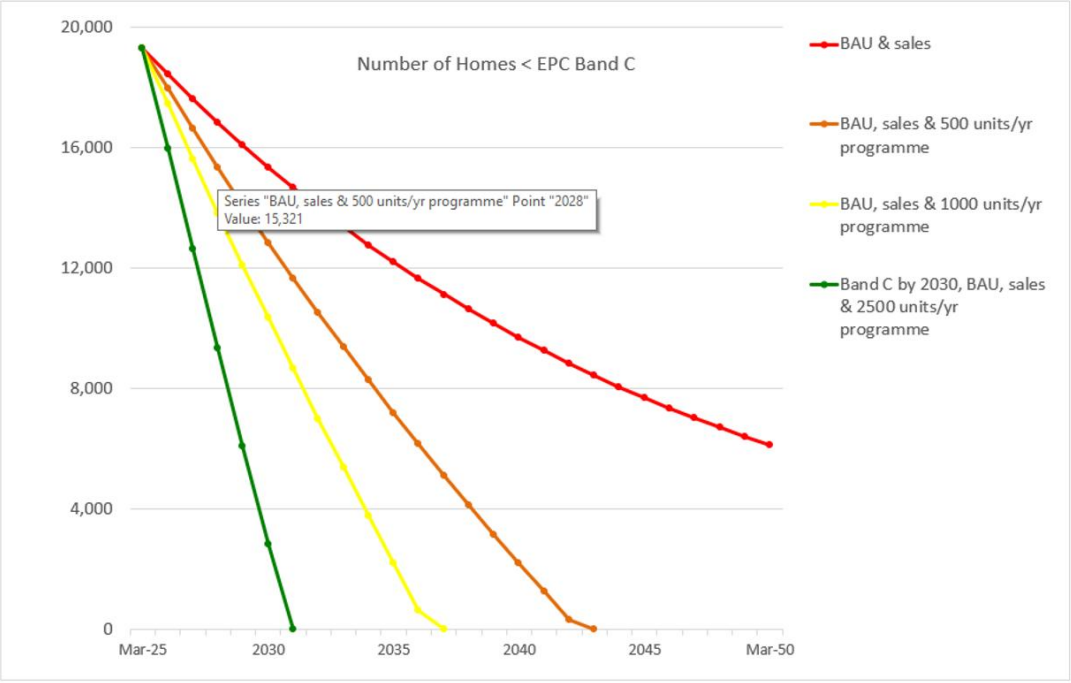

Figure 1 - Trajectories to EPC Band C Target

Our current trajectory – the orange line in *Figure 1*, (considering BAU, net property sales, our new build programme and a 500-homes-per-year energy efficiency programme), suggests that we will not be able to achieve EPC C for all homes until 2043. As well as being able to budget for this cost amongst competing regulatory priorities, our planned maintenance programme and BAU, the sector's capacity to undertake work at this scale must also be considered. The gap in skills, the availability of necessary equipment and materials, and the readiness and ability of our supply chains to deliver at this level, all contribute to this date. Effective management, monitoring, and maintenance of these programmes of work will also be critical.

In addition, further requirements related to achieving Net Zero are to be expected, bringing with them significant cost implications that must also be factored into long-term planning.

The green line in *Figure 1* shows our projected trajectory if we accelerate our planned energy efficiency programme to 2500 homes per year. This level of activity is estimated to cost approximately £89 million per year - a figure that is currently unachievable given our existing financial commitments.

We are also concerned that the failure to provide realistic timescales could push unintended consequences across the social housing sector, such as increased disposal of expensive to treat properties or the installation of gas boilers in electrically heated homes.

6. **If you answered no to Question 5, do you have a view on alternative options for setting the compliance date, for example either earlier or later than 2030?**

We believe that achieving EPC C compliance across all homes by 2040 is a far more realistic target. We would also welcome the introduction of flexibility within the standard – for instance, a

2035 target for homes with easily treatable cavity wall, and a 2040 target for more difficult to treat archetypes.

In addition to practical and financial considerations, resident engagement must be factored into delivery timelines. Not all residents feel comfortable with disruptive works or new technologies, and it's important to consider their individual circumstances and concerns. Therefore, implementation strategies should account for property turnover rates, allowing void periods to be used for upgrades with minimal disruption.

Nonetheless, government should ensure they develop and promote genuinely attractive vehicles for improved investment levels in energy efficiency through alternative financing, so as to accelerate works as much as possible. The current mechanisms in place (such as the National Wealth Fund) and the SHDF are helpful but do not go far enough to deliver the scale needed. Government should also ensure it has reduced or eliminated VAT on retrofit materials to reduce costs.

Implementing the standard

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

In principle, we agree with the time-limited spend exemption, as whilst we may be able to address easier-to-treat properties more easily, we expect that in a vast majority of cases it will cost us over £10,000, per unit, to retrofit to EPC C. However (as detailed in our response to Question 8) this means that even with an exemption in place, we will still have to spend a significant sum of money (potentially up to £194 million) by 2030.

The other issue is around having to demonstrate *actual* costs to qualify for the cap, is this means we'd have to first carry out a portion of works to a home (and then return later, at some point within the following 10 years, to finish works). Doing so is not only disruptive for residents - who may face multiple rounds of intrusive work - but also makes it significantly harder for us to plan and deliver works effectively at scale. Moreover, a holistic, whole-home approach is often the only viable option. It helps avoid issues such as cold bridging or damage to the fabric, which can occur when further measures are installed at a later date (in isolation) rather than concurrently.

Therefore, our overall position is that the compliance date should be pushed back to 2040.

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

We are currently undertaking detailed analysis to determine how many of our homes may fall above or below the proposed £10,000 maximum investment threshold. However, we do expect that a majority of our homes will cost around the aforementioned average of £21,500 per unit to retrofit to EPC C. With approximately 19,400 homes sub-EPC C, and the expectation that a

majority will exceed the proposed cap, we may be required to spend up to £194 million before 2030 (£10,000 per 19,400 homes), which we do not have the financial capacity to deliver.

Despite this being the case, a lower spend exemption is not necessarily the solution – as explained in response to Question 5, a holistic approach as opposed to partial treatments, are often more practical. As such, we believe that the proposed timeline is not financially viable and therefore recommend that the MEES compliance date be extended to 2040, allowing for a more realistic and manageable delivery programme.

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

Instead of the spend exemption being valid from 1 April 2030, we advocate for a 2040 compliance date.

10. **If you have answered no to Question 9, would you prefer an exemption that is valid for: Less than 10 years / Over 10 years / Don't know**

N/A

11. **If you are answering as a provider for social housing, based on the current condition of your stock and the anticipated costs of meeting MEES, what proportion of your housing stock would you estimate you would use the spend exemption for?**

20-30% (of all general needs stock)

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

Yes - other circumstances may include where residents refuse measures, or planning authorities refuse planning permission.

Transition Periods

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

Yes, we agree.

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

Yes, we agree.

15. **If government's proposed approach is implemented, which of the following courses of action do you think registered providers of social housing would take where homes currently meet EER C?**

Other - Renew EPCs when they expire and demonstrate compliance under EER C until required to meet MEES using new EPC metrics in 2040.

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

Other - Improve homes to meet MEES using new EPC metrics by 1 April 2040.

[Optional] Implementing MEES in leasehold properties

17. **If you are a registered provider of social housing or industry body, do you foresee issues arising from installing energy efficiency measures where the leasehold is owned by the registered provider but not the freehold?**

Yes, - we may not be able to install energy efficiency measures if we are not the freeholder, particularly where these require structural improvements to the building, including windows.

18. **If you are a registered provider of social housing or industry body, do you foresee issues arising from installing energy efficiency measures in properties where the registered provider holds the freehold but there are also leaseholders in the building (for example, through right to buy)?**

Yes - if a lease does not allow for improvements to be recharged through the service charge, L&Q would have to pay 100% of the costs incurred through the installation of energy efficiency measures.

19. **If you are a leaseholder (in a property where your freehold is owned by a social housing provider), do you support providers offering to conduct energy efficiency works in your property to meet MEES?**

N/A

20. **a) If you are a leaseholder, have you already had energy efficiency works carried out in conjunction with a social housing provider where they are the freeholder?**

N/A

b) If you answered yes to the question above, what was your experience of installation?

N/A

21. **Do you have any further comments on how providers can best work with leaseholders when improving energy efficiency of mixed tenure blocks?**

N/A

Next steps

22. **Do you have any additional questions or concerns not answered in this consultation that we should consider when drafting the guidance and government response?**

N/A

Approaches to retrofit

23. **When do you plan on installing low carbon heating in your homes?**

Install in some homes in the 2020s, install elsewhere in the 2030s and beyond.

The transition to low-carbon heating is central to our zero carbon ambitions, as it requires improving the energy efficiency of homes to make the installation of electric heat pumps physically viable. The energy efficiency of the home will also in turn, help us to prevent pushing more of our residents into fuel poverty, as we move away from gas-based heating systems.

Across our 77,296 General Needs homes, the current heating profile is as follows:

- 57,871 homes (75%) are heated by individual gas boilers.
- 14,885 homes (19%) rely on communal heating, with 97% of these systems fuelled by gas.
- 4,078 homes (5%) use alternative heating sources (e.g. room heaters, storage heaters, wet systems, warm air, electric ceiling or underfloor heating).
- 462 homes (1%) are currently heated by heat pumps.

Our current asset plan envisages replacing approximately 6,000 boilers per year, continuing into the 2050s. As part of our 2025/26 review, we will outline a strategy for transitioning to low-carbon heating and phasing out gas boilers. At present, we anticipate that pilot installations of low-carbon heating systems will begin between 2026 and 2030, with full-scale rollout commencing from 2030 onwards.

24. **At what point will you be looking to replace failing/end-of-life heating systems with low carbon heating?**

2030s and beyond.

25. **If you have no plans to install low carbon heating in the 2020s, which options best describe why?**

Prioritising fabric improvements first

Our primary focus is on making homes more thermally efficient, so as to reduce their energy consumption, lower fuel bills and ensure that residents can afford to heat their homes.

Therefore, we are currently assessing the scale and pace of fabric improvements required to support the future installation of up to 6,000 heat pumps per year. Nonetheless, we plan to undertake pilot installations between 2026 and 2030.

In preparing for these installations, we must also consider other complexities – such as educating residents on new technologies, developing in-house maintenance and communication capabilities and encouraging supply chain development in the lead up to the point where gas boilers are prescribed.

26. **In your plans for low carbon heating installation, which homes will you target first for low carbon heating? Select all that apply**

We are likely to first target those with a lower starting EPC band.

27. **Do you plan to install communal low carbon heating or individual low carbon heating?**

We are likely to install a combination of communal and individual low carbon heating.

28. **What proportion of your organisation's homes do you anticipate receiving solar PV installations up to 2035?**

Installed in some, but not most homes

Installing solar PV forms part of our broader strategy to achieve Zero Carbon targets. That said, we do not currently have any finalised plans to install solar PV, as our current priority is improving the thermal efficiency of our homes and reaching EPC C via a fabric-first approach. Furthermore, evidence suggests that solar PV is most effective when paired with low carbon heating solutions, making it a later-stage measure that follows the achievement of EPC C. We aim to develop these plans in due course, subject to the evolving requirements and timelines of DHS and MEES.

Preparedness for Net Zero 2050

29. **Which of the following do you intend to use to fund net zero by 2050?**

Self-funded through existing budgets / Other – grant funding opportunities.

Historically, our approach to securing funding needed to be flexible and opportunistic - applying for grants as and when they became available under various initiatives. This strategy has enabled us to benefit from multiple sources of grant funding, including government support through the Social Housing Decarbonisation Fund (SHDF) and energy company contributions via ECO4. L&Q Energy has also had access to grants from the Heat Networks Efficiency Scheme.

While previous grant funding has supported valuable improvements, the scale of future investment demands a more strategic approach - not just from providers, but from government as well. We will continue to pursue grant opportunities where feasible, but limited availability and a significant funding gap mean alternative financing models must be explored. We plan to assess mainstream funding options to understand their viability for our organisation and residents and will report on

our findings via our governance structures. However, we also urge government to take a more active role in shaping and supporting long-term financing solutions - whether through partnerships or new funding mechanisms - to ensure the sector can deliver on its ambitions sustainably.

For the next iteration of L&Q's Decarbonisation Plan we will also be evaluating how different funding sources could fit together and explore alternative funding options, including Ofgem's Energy Redress Scheme (to support our fuel poor households), and market-driven initiatives such as commercially oriented solar PV and battery programmes.

30. **To what extent have the longer-term costs of reaching net zero in social housing by 2050 been factored into your long-term business planning?**

Somewhat; we have started to consider the costs of net zero by 2050 and how to achieve this.

Heat networks and heat network zoning

31. **Were you aware of heat network zoning proposals before reading this document?**

Yes, we were aware of network zoning proposals and may potentially plan to connect some buildings to a heat network.

Smart metering

32. **What actions should government consider implementing to increase the number of smart meters installed in the social rented sector?**

Create obligations for social landlords to ensure their properties (including where there are communal energy sites) contain smart meters, regardless of whether the landlord or the tenant pays the energy bill

We believe that this should be required as a minimum. In our experience, internal resource has been the challenge, in terms of arranging access, rather than any issues with suppliers offering smart meters.

33. **[Optional] Do you have any further comments or concerns regarding Minimum Energy Efficiency standards in the social rented sector or on longer term decarbonisation and net zero which have not been mentioned?**

N/A