ADEPT Energy and Clean Growth Group response

ADEPT

The Association of Directors of Environment, Economy, Planning & Transport (ADEPT) is the voice of place directors who are responsible for providing day to day services including local highways, recycling, waste and planning, whilst preparing for the longer term.

ADEPT is a membership based, voluntary organisation with members across England. We bring together directors from county, unitary, metropolitan and combined authorities, along with sub-national transport bodies and corporate partners drawn from key service sectors.

ADEPT members develop long term strategies, investment and infrastructure needed to make their places resilient, sustainable, inclusive and prosperous. They drive clean, sustainable growth, delivering the projects that are fundamental to creating more resilient communities, economies and infrastructure. These services include housing, environmental and regulatory services, planning, economic development, culture and highways and transport.

Local Government Response — Part 1

Section 1: Strategic Case, Aims and Scope

Section 2A: Owner-Occupiers

Section 2B: Landlords and Tenants

Section 1: Warm Homes Fund Strategic Case, Aims and Scope

> **Question 1:** *Do you agree with our assessment of the strategic opportunities, challenges and risks presented by warm homes financial transactions? Please provide evidence to support your response.*

We broadly agree with the Government's assessment and welcome the recognition that financial transactions can unlock investment at scale. However, the strategic assessment minimises several risks from a local government perspective that should be addressed in Fund design.

Local authorities strongly support the principle that public finance can de-risk the market and crowd in private investment. The Local Net Zero Accelerator (LNZA) Programme outputs and our experience of delivering HUG1, HUG2 and the Warm Homes: Local Grant demonstrates that grant funding, when channelled through local authorities, delivers measurable outcomes: the HUG2 programme achieved an average EPC improvement of one band across delivered properties, with 61% of homes upgraded to EPC C or above.

These results were achieved because local authorities could target funding toward the most deprived households, coordinate local supply chains, and provide trusted advice functions the private finance market cannot replicate alone.

However, the following strategic and structural risks are not fully addressed:

- The demand side problem: The financial transaction model assumes projects can 'generate a return' but many of the households most in need of retrofit (fuel-poor, low-income owner-occupiers, off-gas-grid properties) live in properties where the economics of repayable finance do not stack up. For a significant proportion of households – particularly those in the most energy-inefficient properties – even zero-interest finance leaves them net worse off: the repayment obligation will in many cases exceed the energy bill saving generated by the measures financed. Rational households will, and should, decline finance that makes them poorer. This is particularly acute where retrofit need is greatest – older, less efficient properties occupied by lower-income households – and is compounded by well-evidenced debt aversion even where the economics are marginally positive. Low-cost debt cannot therefore be the primary instrument for reaching the households where the need is greatest.

- The complexity problem**.** Individual households cannot be expected to lead their own retrofit: assessing which measures are appropriate, identifying reputable suppliers in a fragmented market, coordinating multiple contractors, and managing quality assurance to completion. Complexity is an independent deterrent even where finance is available. Area-based neighbourhood delivery can seek to remove the complexity off the individual household through collective programme design, expert project management, and rigorous quality assurance – leaving the household simply the decision of whether to participate. The *Oxfordshire Clean Heat Street project funded by BEIS*, for high density deployment of heat pumps, identifies that strong project management and tools to ensure a high-quality experience for stakeholders helps overcome this complexity and customer journey challenge. Report can be found here.
- Two different finance instruments are needed. The first to apply at individual household level, where a neighbourhood programme could offer a route for households to participate according to their household circumstances. The second, at the programme level where government is deploying capital into a fund or delivery vehicle which must be assessed on its own structural merits. The evidence can be found in the WMCA's LNZA project analysis which identifies the delivery architecture for a Neighbourhood Energy Transition Fund.
- Local government capacity is severely constrained. Over 97% of eligible English local authorities participated in Warm Homes: Local Grant, but many did so through consortium arrangements with larger lead authorities. Smaller councils lack the treasury management, procurement, and programme delivery capacity to absorb financial transaction products without significant up-front investment in organisational capability.
- The stop-start nature of previous programmes from Green Homes Grant through LAD, HUG1, HUG2, and now WH:LG has eroded market confidence and supply. The Fund must provide long-term visibility of pipeline to prevent confidence loss, which an area-based delivery model would support.
- Financial return requirements may be incompatible with targeting the hardest-to-reach households. There is a risk that Fund products will be deployed where the economics are easiest rather than where need is greatest, unless specific targeting mechanisms are built in from the outset.

> **Question 2:** *What evidence is there on the factors that most significantly limit the uptake of green finance?*

Drawing on our collective delivery experience plus evidence from the IUK Net Zero Living programme, and Local Net Zero Accelerator (LNZA) Programme, the following factors most significantly limit green finance uptake, particularly among the households local authorities serve:

- **Upfront cost**: National Home Energy Survey 2024[1] data shows 48% of people cite upfront cost as a barrier. Even where 0% loans are available, many households particularly older owner-occupiers and those with stretched budgets are unwilling to take on any debt. Age UK[2] data cited in the March 2026 parliamentary evidence session indicates 22% of owner-occupiers are 'financially struggling', making loan-based products deeply unattractive.
- **Install Quality:** The National Audit Office's October 2025[3] report found that 98% of homes receiving fabric energy efficiency upgrades under ECO required remedial works. This has severely damaged consumer confidence. Green finance will not be taken up at scale unless trust in the quality of installations is rebuilt through robust accreditation, enforcement, and performance monitoring.
- **Process complexity**. Identifying which combination of measures is appropriate for a specific property, procuring reputable and accredited contractors, coordinating installation across multiple trades, and managing quality assurance through to completion is beyond the capacity of most individual households. Complexity is an independent deterrent even where finance is available and the economics are positive. City of York's ROSSY[4] project identified four core barriers: lack of technical knowledge, limited financial products, lack of trust in installers, and the 'hassle factor.' These compound each other and require an integrated 'one-stop-shop' response.
- **Creditworthiness:** Even zero-interest loans require creditworthiness that many fuel-poor households cannot demonstrate. The Green Deal failed partly because it was tied to the energy meter and scared people. Any new loan product or managed service must be accessible to households with poor credit histories and must include protective conditions.
- Many off-gas-grid, heritage, solid-wall, and rural properties have high retrofit costs relative to potential savings, making standard finance products unviable. These are often the homes with the greatest need.
- **Stop start:** Developers, landlords, and households are reluctant to commit to multi-year financial products when programme continuity is uncertain. HUG1 and HUG2 were both time-limited, creating pressure to prioritise volume over quality and leaving little time for market development.
- **Split incentives by tenure.** In the private rented sector, landlords bear the capital cost of retrofit while tenants capture the bill savings. Without structural intervention – such as a programme condition linking fund investment to a rent freeze period – neither party has the full economic incentive to act.
- **Demand aggregation.** Individual household demand for retrofit is invisible to supply chains, lenders, and investors. Without a mechanism to aggregate demand at programme scale, neither the supply chain nor the capital market can respond efficiently.
- **Supply chain availability. T**he supply of PAS 2035-accredited retrofit coordinators and PAS 2030-certified installers is insufficient to meet existing demand, let alone programme-scale delivery. A motivated, creditworthy household seeking an accredited installer will frequently find none are available at a competitive price and within a reasonable timeframe. Making finance available without simultaneously addressing supply chain capacity will not achieve the WHF's aims. A funded programme with

[1] National Home Energy Survey 2025
[2]
[3] Energy efficiency installations under the Energy Company Obligation
[4] Coming soon: a One Stop Shop for retrofit in York – York Community Energy

committed demand volumes is the mechanism that gives supply chains the certainty to invest in accreditation, workforce, and logistics.

Question 3: *What wider loan or equity-based interventions in the warm homes market could unlock demand at scale?*

The following interventions are most likely to unlock demand at scale:

- Area-based investment funds capitalised through the Warm Homes Fund. Rather than product-by-product deployment, the Fund should capitalise revolving place-based funds that local authorities and combined authorities can deploy flexibly across their housing stock. This model allows councils to blend loans, managed services, grants to match individual household circumstances, recycle repayments into further investment, and aggregate demand to reduce procurement costs. The WMCA LNZA project suggests a Neighbourhood Energy Transition Fund (NETF) that deploys CDEL Financial Transaction equity alongside private institutional debt into neighbourhood programme Special Purpose Vehicles. At the fund level, the capital comes from (1) non-repayable grant base layer (Warm Homes: Social Housing Fund, Warm Homes: Local Grant, Boiler Upgrade Scheme) for fuel-poor households; (2) CDEL FT public equity as first-loss cornerstone, demonstrating the asset class and generating a track record; (3) private institutional debt in a senior secured position, leveraged by the equity layer; and (4) small community equity stakes providing local stewardship and community ownership. At the household level, the finance options are a ‘service charge’ (or “comfort fee”) in which the programme vehicle installs and operates low-carbon energy infrastructure, and the household pays a service charge calibrated below their existing energy bill plus loan or other payment options. For the service charge option, the household is net better off from day one, with no upfront cost, no debt, and no creditworthiness assessment required. generating the returns that service the capital.
- Property Linked Finance (PLF) administered by local authorities that attach to the property rather than the individual borrower, can address many of the credit access barriers identified. Local authorities could act as intermediaries, administering PLF products on behalf of the Fund, using their existing relationship with council taxpayers as the anchor for loan recovery. This reduces risk for the Fund and reduces barriers for households.
- Bulk purchasing programmes anchored in local authority procurement. Councils already use their procurement power to drive down unit costs for social housing retrofit. Extending this model (in a manner similar to the Group Purchase of solar PV pioneered in the UK by iChoosr) to allow local authorities to run bulk procurement programmes for private homeowners, aggregating demand, tendering for discounted installations, and offering finance through the Fund could significantly reduce the cost per household and rebuild supply chain capacity, while also allowing local prioritisation of social value benefits.
- The Fund could take equity stakes in local retrofit SMEs and social enterprises, supporting them to scale up their workforce, invest in accreditation, and develop service models that combine advice, installation, and aftercare. This addresses the supply-side constraint that is currently as significant a barrier as demand-side finance.
- As proposed by UK Green Building Council, offering a stamp duty rebate for households that undertake qualifying retrofit within a defined period of purchase would capture the moment when people are most likely to invest removing the 'hassle factor' and creating a natural trigger point for the consumer journey.

Question 4: *How should the Warm Homes Fund ensure that it includes an offer suitable for those on low incomes? Any information on specific models is encouraged.*

This question is key. Repayable finance is fundamentally unsuitable as the primary instrument for the lowest-income households. The Fund must be designed with a clear tiered approach:

- Tier 1: Full grant for fuel-poor households: Households below the fuel poverty threshold and/or on means-tested benefits require full capital grants, not loans. This was the model of the Warm Front programme, which was the most successful fuel poverty scheme run to date. Local authorities support a return to this model as the primary vehicle for fuel-poor owner-occupiers, the group most comprehensively excluded from current scheme design.
- Tier 2 : Heavily subsidised or 0% loans with referral pathways into grant: For households just above fuel poverty thresholds who cannot afford commercial finance, the Fund should offer 0% interest loans with generous repayment periods, combined with mandatory referral pathways into grant schemes where affordability is assessed as insufficient or lasting bill savings are unlikely to otherwise be achieved. Consider the potential for targeted grants that support specific consumer-facing risks which may become apparent post-survey (i.e. asbestos management or removal). The south-west England model described in the March 2026 parliamentary evidence where community interest lenders refer unaffordable cases to local authority grant schemes provides a replicable model.
- Tier 3: Low-interest loans for able-to-pay households: For owner-occupiers who can afford to contribute, competitive low-interest products backed by the Fund's £5 billion capitalisation can displace more expensive commercial lending and encourage greater investment.

  Suffolk County Council in partnership with Lendology (and grant from DLUHC via a Devo Deal) set up and promoted a 0% interest loan to eligible homeowners in October 2024. By 1st September 2025 the scheme was closed due to the high uptake of the 0% interest loan. The scheme offers grants up to £15000, repayable within 7 years. Demand for this was high. This type of opportunity could be scaled to support tier 3 and possibly with longer paybacks tier 2.

Question 5: *Do you agree with the proposed overarching aims of the Warm Homes Fund? Please provide evidence to support your answer.*

We agree with the proposed aims in principle.

We particularly support the emphasis on: delivering lasting bill savings; accelerating the transition away from fossil fuel heating; supporting those on low incomes; and generating a return to enable recycling of public investment.

However, the aims could be strengthened in the following ways:

- Explicitly include 'supporting local economic development and supply chain growth' as an aim: The Fund has the potential to anchor skilled jobs in local economies, develop SME retrofit businesses, and create a self-sustaining local retrofit market. Cardiff Council's modelling demonstrates that £1m of retrofit investment creates 10-21 new jobs. This economic dimension should be a stated aim, not an afterthought.
- Add 'enabling place-based, area-based delivery' as a core aim: The most effective retrofit programmes e.g. Cosy Homes Oxfordshire to ROSSY York to Rent Smart Wales have been place-based. The Fund's aims should explicitly support area-based approaches that build economies of scale and community trust.
- Strengthen the focus on quality of outcomes, not just quantity: Given the ECO quality issues, the aims should include ensuring that funded installations are properly installed, monitored, and maintained. Independent performance monitoring should be a core aim, not a compliance add-on.

Question 6: *Do you agree with the proposed technology scope and are there any technologies missing that you think the fund should focus on?*

We broadly support the proposed technology scope.

From a local government delivery perspective, the following are additional considerations:

- Space-constrained homes represent a significant gap: As the Net Zero Living programme's 'Mind the Gap' analysis identified, approximately 1.8 million UK homes fall into a 'heat gap' unsuitable for individual heat pumps due to severe space constraints and not economically viable for commercially-led heat networks. The Fund should explicitly support innovation in networked ground-source heat pumps, communal heat pump systems, and low-temperature heat networks for these properties.
- Fabric measures must not be de-prioritised: The Warm Homes Plan's pivot towards technology over fabric risks installing clean heat systems in homes with insufficient insulation, leading to oversized, inefficient systems and disappointed customers. The Fund should support fabric-first assessments as a pre-condition of technology installation, particularly for heat pumps. UK Green Building Council evidence to the March 2026 parliamentary session confirmed that heat pumps installed in poorly insulated homes are systematically oversized and cost more to run.
- Heritage and conservation buildings require bespoke solutions: A significant proportion of local authority housing stock and private dwellings in historic areas face planning restrictions that limit standard retrofit measures. The Fund should support innovation in heritage-appropriate retrofit, including internal wall insulation, thermally efficient secondary glazing, and specialist ventilation systems. Westminster City Council's Local Development Order for heritage properties demonstrates how local planning powers can be used to unlock this market.

Question 7: *What is the extent to which the Warm Homes Fund could support additional measures in new build social and affordable housing?*

Local authorities and housing associations strongly support the principle that new social housing should be built to the highest possible standards from the outset, avoiding the need for expensive retrofit in future decades. We make the following observations:

- The Future Homes Standard will set the baseline, but the Fund could support above-standard measures: Solar-ready infrastructure, battery storage, and community heat network connections all have a strong economic case at construction stage but may not be mandated under the Standard. Fund support for these measures at new-build stage could significantly reduce lifetime costs.
- Mixed-tenure developments present a particularly strong case: Where new social housing is being built alongside market-rate homes, the Fund could support shared energy infrastructure — communal solar, heat networks, battery storage — that benefits all tenure types and improves financial viability.
- However, Fund design must avoid perverse incentives: If Fund finance is available for new-build social housing, there is a risk that housing associations prioritise new development over retrofit of existing stock. Eligibility criteria should ensure that Fund support for new-build is genuinely additional and does not crowd out investment in existing homes.

Question 8: *Do you agree with the proposed list of activities the Warm Homes Fund could support and are there any other types of activities that should be supported?*

We support the proposed list and wish to add the following activities that are critical from a local government perspective:

- Local authority capacity building, resident engagement and programme management: Many councils lack the internal expertise to design, procure, and manage complex retrofit finance programmes. The Fund should explicitly support investment in local authority programme management capacity, including specialist retrofit coordinators, legal and treasury support, and data management systems. The Fund should 'front load' this support to allow local authorities to build capability and capacity early in the process.
- Integrated advice and customer journey services: The one-stop-shop model demonstrated by City of York's ROSSY project shows that end-to-end customer journey support is essential for driving uptake. The Fund should support the development and operation of these services, which combine impartial advice, installer matching, quality assurance, and finance access.
- Community engagement and trusted intermediary networks: Evidence from the Net Zero Living programme shows that trusted local organisations — community energy groups, housing associations, health providers, and voluntary sector bodies — are critical for reaching digitally excluded and vulnerable households. The Fund should support community engagement activities as a legitimate cost of programme delivery.
- Performance monitoring and data infrastructure: Investment in smart meter data access, heat meter installation, and remote performance monitoring should be supported as an integral element of funded projects, not an optional add-on. An example is Oxfordshire's **Intelligent Smart Energy Engine (ISEE)**, a Net Zero Innovation programme funded by DESNZ, launched the **Energy Saver App** and an innovative subscription funding model for solar PV with battery storage. Over 300 installations took place within the trial across Oxfordshire, with no upfront cost to residents and maximising their income from a combination of energy-bill savings, grid-flexibility payments and the smart export guarantee of course. Further details on our website.

Questions 9-11: Non-Domestic and Mixed Use Buildings

Question 9: *What barriers in the current finance landscape prevent non-domestic and mixed use buildings from investing in low carbon technologies?*

From a local government perspective, the barriers to non-domestic building retrofit are similar to the domestic challenges:

- Lack of accessible finance products tailored to the range of non-domestic building types: SMEs, VCSE organisations, and community buildings face the same upfront cost barriers as households but typically have fewer assets against which to secure lending and face higher perceived risk for lenders.
- Split incentive problems in commercial tenancies: Where a building owner's energy costs are paid by tenants, there is no direct financial incentive for the landlord to invest in energy efficiency — mirroring the split incentive problem in the private rented sector. This challenge is exacerbated in instances where there's a disinterested and unincentivized managing agent sitting between the commercial landlord and tenant.
- Lack of regulatory pressure equivalent to MEES: Domestic properties face minimum standards enforcement; comparable pressure on commercial buildings is absent or unenforced. Without a regulatory requirement, and the corresponding expectation of enforcement, the commercial case for investment depends entirely on financial incentives.
- Complexity of mixed-use buildings: Many town centre buildings combine residential and commercial uses, requiring coordinated retrofit across multiple lease structures and occupancy arrangements. Local authorities as planning and licensing authorities are well placed to support coordinated approaches but lack dedicated resource.

The Oxford City Council 'Low Carbon Oxford' model — which matched VCSE and SME retrofit costs to corporate carbon offset funding, raising £200,000 in eight weeks demonstrates that innovative finance models can work for non-domestic buildings if properly designed and locally anchored.

Question 11: *Should government focus non-domestic funding on: VCSE sector, SMEs, hospitality and retail, or other sectors?*

We recommend prioritising the VCSE sector and SMEs, for the following reasons:

- VCSE buildings are often the hubs around which local communities organise — libraries, village halls, community centres, faith buildings, GP surgeries. Retrofitting these buildings delivers multiple co-benefits: warmer community spaces, reduced running costs for organisations providing vital public services, and visible demonstration projects that build public confidence in retrofit technologies.
- SMEs in high streets and local economies face the most acute pressure from energy costs but have the fewest resources to invest. Local authorities have existing relationships with local businesses through Business Improvement Districts and economic development functions that could anchor targeted finance delivery.
- Hospitality and retail require further analysis: While energy costs are significant for these sectors, their business models and lease structures present additional complexity that may warrant a later phase of Fund activity.

Question 12: *Do you agree with the proposed list of groups that the Warm Homes Fund may support?*

We agree with the proposed groups. We wish to emphasise three additional groups that warrant specific attention:

- Low-income owner-occupiers in rural and off-gas-grid areas: These households have the highest energy costs, the least access to clean heat alternatives, and the most complex retrofit challenges. HUG1 and HUG2 were specifically designed for off-gas-grid properties, and we strongly advocate for the Fund to maintain a dedicated offer for this group.
- Households in fuel poverty not captured by current LILEE metrics: As Dr Brenda Boardman noted in the March 2026 parliamentary evidence, households with EPC ratings of A-C but very low incomes are excluded from fuel poverty definitions under LILEE, despite facing serious affordability challenges. The Fund should consider supplementary targeting mechanisms that capture income as well as EPC rating.
- Park home residents: Often overlooked in retrofit schemes, park home residents face acute energy affordability challenges and have very limited access to current grant programmes. The Fund should explicitly include park homes.

Section 2A: Owner-Occupiers

Questions 13-16: Consumer Loans and Fund Design for Owner-Occupiers

Question 13: *How do you think the Warm Homes Fund could best support owner-occupiers to invest in home upgrades?*

Local authorities are the appropriate channel for deploying Fund finance to owner-occupiers, building on our established roles in housing, public health, and community services. We recommend a tiered model:

- For fuel-poor owner-occupiers: Full capital grants, delivered through local authority area-based programmes. The Warm Front model should be reinstated as the primary vehicle. Local authorities should be empowered to identify and proactively approach eligible households, rather than relying on households to self-identify.
- For low-to-middle income owner-occupiers: 0% or very low interest loans, with referral pathways into grant support where affordability assessment indicates repayment is unsustainable. South-west England's community interest lending model — where lenders refer unaffordable cases to local authority grant schemes — provides a replicable template.
- For able-to-pay owner-occupiers: Competitive low-interest loans, ideally complemented by stamp duty incentives at the point of property purchase as proposed by UKGBC. Local authorities can play a market facilitation role, operating one-stop-shop advice services that help able-to-pay households navigate technology choice, installer selection, and finance access.

Critically, the Fund must recognise that many heating decisions are made under duress e.g. when a boiler fails. TUC evidence to the March 2026 parliamentary session confirmed that workers going into homes find that 'folks are not aware' of heat pump options. Local authorities can address this through proactive engagement, retrofit assessments embedded in housing services, and trusted referral networks through GPs, social care, and community organisations.

See in Q4, Suffolk's 0% interest loan to homeowners to install energy efficiency, solar, heat pumps and batteries in homes. [Council to offer interest-free loans to make homes more energy efficient - Suffolk County Council]

Question 14: *How are financial institutions currently using EPCs to inform their financial products?*

Local authorities observe that EPC-linked finance products are increasingly available but present significant risks for the households we serve:

- Green mortgages and EPC-linked lending create a two-tier mortgage market that risks undervaluing less energy efficient properties and making them harder to sell or remortgage — potentially trapping low-income households in homes they cannot afford to improve.
- EPC reliability is currently too poor to support responsible lending decisions: EPC assessments are modelled, not measured, leading to significant discrepancies between predicted and actual energy performance. Installing a heat pump in a poorly insulated home may not improve the EPC rating sufficiently to unlock finance, even though it improves heating outcomes. The forthcoming reform to EPC metrics under the Home Energy Model must address this before EPC-linked finance is scaled.
- Local authorities recommend that the Fund supports 'whole home assessment' as a precursor to both EPC assessment and finance application: This approach — being piloted in Scotland as the 'Heating and Energy Efficiency Technical Suitability Assessment' — considers property condition, occupant vulnerability, and what measures will actually work in a specific home, rather than producing a generic modelled score

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Question 15: *How could the loans scheme be designed to encourage new products or entrants into the market?*

Local authorities strongly support market development but caution that the primary design principle must be consumer protection, not market stimulation. Lessons from the Green Deal — which attracted unscrupulous operators and left many households in worse financial positions — are instructive:

- Any approved product should require independent verification of installation quality before final loan drawdown: This prevents the Green Deal/ECO pattern of poor installations being signed off by self-certifying contractors.
- Local authority partnership as a route to market: New market entrants willing to operate through local authority partnerships — benefiting from council's existing customer relationships, trusted brand, and quality oversight — should receive preferential access to Fund finance. This would support market development while maintaining quality.
- Performance-based pricing: Fund loans at lower interest rates should be conditional on post-installation performance monitoring demonstrating actual energy savings. This creates strong incentives for quality installation.
- Consider mechanisms to mitigate the risks of the loan scheme over-incentivising volume as opposed to quality, by introducing an expectation of 'expanded oversight' on Fund management where concerns arise

Question 16: *What loan attributes would be most valuable to expand in the market?*

Drawing on our delivery experience, the following loan attributes are most critical for successful uptake among the households local authorities serve:

- The Green Deal's prohibitive interest rate was its primary failure. Any Fund-backed offer must ensure value to the customer.
- No credit check requirement for qualifying households: Low-income households with poor credit histories are precisely those most in need of support. Fund design must include pathways for households without bank accounts or credit histories.
- Not tied to the energy meter: The Green Deal's meter-attachment created fear of debt transfer on property sale and energy disconnection. Fund products should be personal loans or attached to the property title (PLF model) but not to the energy meter.
- Flexible repayment structures that track actual savings: Rather than fixed repayment schedules, products should flex with energy bill savings, reducing repayments in periods of high energy prices or household financial stress.
- Strong consumer protection and clear complaints pathway: Given the quality issues in the market, any Fund-backed product must include explicit guarantees about installation quality, a clear complaints process, and a funded route to redress.
- Not requiring household savings top-up: Evidence from the 2025 BUS Interim Evaluation showed 65% of BUS recipients paid using savings. The whole point of Fund-backed loans is to remove this requirement for households with limited savings.

Questions 17-20: Property Linked Finance

Question 17: *Would Property Linked Finance (PLF) support the Warm Homes Fund aims?*

Local authorities strongly support Property Linked Finance as a mechanism with significant potential, subject to important caveats:

- PLF addresses the core problem of retrofit finance for owner-occupiers: by removing the link between loan repayment and individual income, it makes retrofit accessible to households who would not qualify for conventional lending and removes concerns about repayment in the event of job loss or illness.
- The local authority relationship with council tax records provides a natural infrastructure for PLF administration: We are the most effective administrators for such a scheme, given our existing data on property ownership, billing relationships, and social need.
- PLF works best combined with local area assessment: Rather than individual household applications, PLF delivered through area-based programmes allows councils to achieve economies of scale in installation, use bulk purchasing to drive down costs, and ensure consistent quality standards across a neighbourhood.

- The risk of perverse outcomes in property sale must be addressed: PLF charges must be clearly disclosed at point of property sale, and the scheme must ensure that incoming purchasers genuinely benefit from the improvements, rather than inheriting a debt for improvements they did not choose. Stamp duty incentives linked to PLF could address this by rewarding buyers of improved properties.
- PLF is not appropriate for the most fuel-poor households: Where property values are very low (as is common in deprived areas), the debt-to-equity ratio of PLF may be too high to be responsible lending. The Fund must maintain clear criteria distinguishing PLF applicants from those requiring grant support.

Question 18: *Is there a need for finance here, and what are the barriers preventing the private sector from filling it?*

There is a clear market failure in PLF for domestic retrofit. The private sector has not developed PLF products at scale for the following reasons:

- Legal complexity of property charge registration: Attaching a financial charge to a property title requires legal framework changes that only government can deliver. The private sector cannot act unilaterally to develop PLF without legislative underpinning.
- First charge priority: Mortgage lenders are reluctant to allow PLF charges that could take priority over their security interest. Government must negotiate clear subordination arrangements with the mortgage industry to unlock the market.
- Perceived reputational risk: Following the Green Deal, private lenders are wary of products associated with retrofit finance. Government backing through the Warm Homes Fund would provide the reputational anchor the market needs.

Question 19: *How could government finance address this gap?*

Government should act as the wholesale funder for a PLF pilot programme, administered through regional funds which takes on the financial risk. Local authorities can support in the following ways:

- Local authorities identify eligible properties through their housing data and proactively approach owner-occupiers with a PLF offer, combined with a whole home assessment and supply chain-ready installation package.
- Repayments flow back to the regional fund, with a margin that covers administration costs in LAs, enabling the model to be supported with LA help.

Question 20: *What wider policy barriers need to be overcome?*

The following policy changes are essential prerequisites for successful PLF:

- Amendment to the Land Registration Act or creation of a new statutory framework for property-linked retrofit charges.
- Negotiation of a concordat with mortgage lenders on charge subordination, facilitated by the FCA and MHCLG.
- Reform of EPC metrics to ensure post-PLF improvements are accurately captured in ratings used by mortgage lenders.
- Local authority borrowing powers: Some councils face restrictions on borrowing for on-lending to private households. The Fund must ensure that regulatory or legislative changes remove these barriers and provide councils with a clear legal basis for PLF administration.

Section 2B: Social Landlords and Tenants

Question 22: Barriers to Social Housing Provider Investment

> **Question 22:** *What are the barriers that affect the ability for social housing providers to invest in warm homes upgrades? And how could the Warm Homes Fund support?*

Local authority housing departments and housing associations face a distinctive set of barriers that are qualitatively different from those facing private landlords or owner-occupiers:

- Social landlords' rental income is governed by the Rent Standard 2026, which limits annual rent increases to CPI+1%. This means that the gap between retrofit costs and available financing cannot be bridged by increasing rental income, as is possible in the private rented sector. Large-scale retrofit programmes must therefore be largely grant-funded or financed at very low cost.
- Decent Homes Standard compliance costs compete with net-zero investment: Local authorities managing social housing stock face the dual pressure of compliance with existing Decent Homes Standards (and the forthcoming expanded DHS) alongside decarbonisation investment. For many councils, there is a genuine choice between keeping homes safe and habitable now versus making them low-carbon in future.
- Local authority housing stock typically ranges from post-war system-built properties — which face the most challenging retrofit economics — to 1980s-90s properties that may only require fabric improvements to reach EPC C. A programme that targets all properties equally is inefficient; one that ignores the hardest cases is unjust.
- Many smaller councils lack the procurement infrastructure to manage large-scale retrofit programmes — from framework contract management to quality oversight and project monitoring. HUG2 delivery experience showed that smaller authorities often struggled to procure and manage delivery at the pace required by scheme timescales.
- HUG2 required local authorities to spend within financial years, creating a perverse rush to commission works that prioritised volume over quality. Multi-year flexible funding profiles, as available under some other programmes, would significantly improve delivery quality.

How the Warm Homes Fund could support:

- The Fund should offer social landlords 25–30-year loans at rates below the Public Works Loan Board rate, with repayment structured against projected energy cost savings. The National Wealth Fund's £1.65 billion guarantee for social housing retrofit is a welcome step but must be translated into accessible, low-complexity finance products.
- Many social housing retrofit programmes take 10-15 years to complete across a whole stock portfolio. The Fund must offer finance with repayment terms that match these timescales.
- Where retrofit reduces energy costs for tenants and allows landlords to reduce service charges, a portion of these savings could be channelled into loan repayment, reducing the grant subsidy required.
- The Fund should support consortium arrangements allowing groups of smaller councils to aggregate their social housing portfolios for a single retrofit finance facility, achieving economies of scale in both procurement and financing costs.

Question 23: Risks of Above-Minimum Standards in New-Build Social Housing

Question 23: *What risks or unintended impacts should government consider if using public finance to incentivise above-minimum warm homes standards in new-build social and affordable housing?*

- If Fund finance is available at preferential terms for new-build, there is a risk that housing associations prioritise development over retrofit. The Fund must include explicit guardrails ensuring additionality. New-build finance should not be available if it reduces investment in existing homes.
- Risk of 'green premium' in affordable rent settings: Above-minimum standards at new-build may increase build costs in ways that reduce overall social housing development volumes, if grant funding is not adjusted to compensate. Government must model this carefully.
- Higher specification technologies (heat pumps, solar, batteries) require skilled maintenance that may not be built into social landlords' long-term business plans. Fund support for above-minimum standards should include provision for long-term maintenance agreements.

Questions 24-27: Revenue and Savings Sharing Models

Question 24: *Would revenue and savings sharing models support the Warm Homes Fund aims?*

Revenue and savings sharing models have significant potential for social housing, as demonstrated by Octopus' Tenant Power and similar programmes. Key findings from local authority experience:

- Models work best where landlords control both the asset and the energy relationship: Social housing landlords are better placed than private landlords to implement revenue sharing, as they have longer relationships with tenants and more control over communal infrastructure.
- Tenant protection is paramount: Any revenue or savings sharing arrangement must guarantee that tenants see genuine and immediate bill reductions. Arrangements that primarily benefit the landlord at the expense of tenants would undermine the Warm Homes Plan's core objectives and erode trust in the programme.
- The Welsh model, noted in the March 2026 parliamentary evidence, requires landlords to sign a memorandum of understanding committing not to increase rents as a result of retrofit or loan benefits. This model should be adopted nationally.
- Local authorities are well placed to broker community energy agreements that allow social housing tenants to benefit from nearby renewable generation, reducing bills beyond what individual property retrofit can achieve.

Question 28: *Are there differences in Housing Association property ownership structures that affect ability to take on loans?*

- ALMOs (Arms Length Management Organisations): Some local authorities manage their housing stock through ALMOs, which have limited balance sheet capacity and may face restrictions on borrowing. ALMO-specific guidance should be developed.
- Councils managing their own Housing Revenue Account (HRA) stock have specific constraints. HRA borrowing is governed by the debt cap and opportunities such as the ability to cross-subsidise retrofit from HRA surpluses is not permitted. The Fund should engage with MHCLG to ensure HRA regulations support rather than constrain social housing retrofit investment.

Question 21: Private Landlords

Question 21: *What barriers and opportunities do private landlords encounter when accessing loans or investing in warm homes upgrades?*

Local authorities observe the following:

- The current £3,500 cost cap for MEES has been announced to increase to £10,000 per property. The Fund should ensure loans are available to cover the full £10,000 per property cost, with 0% interest rates to private landlords conditional on their maintaining EPC improvements for a defined period and any Fund-backed loan or grant to private landlords must be conditional on a legally binding commitment not to increase rents as a result of improvements. Without this, retrofit subsidy simply flows to landlord profits rather than to tenants.
- Pilot a landlord 'one-stop-shop' through local authority licensing departments: Where selective or additional HMO licensing is in place, local authorities already have a compliance relationship with landlords. This relationship could be extended to include energy upgrade offers combining the stick of licensing requirements with the carrot of access to Fund finance.

Local Government Response — Part 2

Section 2c: Local Government

Section 2D: Electricity Market Participants

Section 2E: Manufacturing and supply chain

Section 2F: Heat Networks

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Section 2C: Local Government

Area-Based Investment Funds (Questions 29-32)

Question 29: *Would area-based investment funds support the Warm Homes Fund aims, when could benefits be realised, and what risks need to be considered?*

Yes. Area-based investment funds, regional vehicles deploying blended public and private capital across defined neighbourhood programme geographies are the structural solution to the barriers that have prevented neighbourhood retrofit from scaling.

Below are two examples of area-based fund proposals.

Suffolk County Council in partnership with Lendology (and grant from DLUHC via a Devo Deal) set up and promoted a 0% interest loan to eligible homeowners in October 2024. By 1st September 2025 the scheme was closed due to the high uptake of the 0% interest loan. The scheme offers grants up to £15000, repayable within 7 years. Demand for this was high. This type of opportunity could be scaled to support tier 2 and 3 households as set out in Q4.

The LNZA/ Neighbourhood Energy Transition Fund (NETF) is structured as a national investment fund that deploys capital into neighbourhood programme Special Purpose Vehicles, each managing delivery across all tenures and building types in a defined area. It is designed from the outset as a national fund with regional programme allocations, with common fund architecture, shared legal frameworks, and standardised consumer contracts. This could be applied to Tier 1, 2 and 3 households as set out in Q4 as it includes the 'service charge' option. DESNZ would need to design the WHF to accommodate area-based regional investment vehicles across multiple regions from the outset, not as a sequence of individually negotiated regional schemes.

Other reasons for Local authorities' keenness for area-based investment funds as the primary mechanism for deploying Warm Homes Fund capital include:

- Area-based programmes allow bulk procurement of installations, driving down unit costs through economies of scale. City of York's ROSSY programme achieved break-even projections with 170 completed retrofits, a fraction of the volume that a local authority-led area programme could achieve.
- Area-based approaches allow councils to systematically identify and engage the most vulnerable households who will not self-refer into national programmes. Door-to-door engagement in defined areas reaches fuel-poor households better than phone calls and websites.

- Defined geographic programmes give local installers and SMEs the pipeline visibility they need to invest in local upskilling and capacity building. Area-based investment with multi-year pipeline provides the stability supply chains need.
- Co-benefits are more likely to be realised through area-based programmes that combine home improvement with wider community development.

Benefits could begin to be realised within 12-18 months of Fund capitalisation, given that local authorities already have programme delivery infrastructure from Warm Homes: Local Grant and preceding HUG programmes. However, for those authorities without this experience it will need 9-12months months of capacity building before delivery starts and then the 12-18 months before results are possible.

Risks to consider and mitigate:

- Area-based programmes can focus on areas where delivery is easiest, leaving hardest-to-reach areas behind. The Fund must require local authorities to demonstrate that area selection criteria prioritise deprivation and fuel poverty as primary factors.
- Geography or scale of the area. The scale should be as a minimum a county geography. Less than this does not provide the home retrofit numbers and smaller authorities would struggle with the capacity to support the programme. However, the geography should not be as big as that tried by the Greater South East Net Zero Hub on HUG2 – this geography is too large. There was disconnect between the strategic activities and the much-needed local engagement to generate demand.
- Distribution of resources. An area-based approach only works if the strategic functions such as programme management, fund management, reporting are funded as well as the local engagement and management of customers. Without a fair split of funding support between MSA/CAs and unitaries/Mets/Districts to build the essential skills and knowledge, an area based approach will not work.
- State aid and subsidy control compliance: Area-based programmes that provide subsidised finance to businesses (including social landlords) must comply with the Subsidy Control Act 2022. Local authorities need clear guidance from DESNZ and MHCLG on this.

Question 30: *Is there a need for finance here, and what are the barriers preventing the private sector from filling it?*

The private sector has not developed area-based retrofit investment funds at scale, and will not do so without government action, for the following reasons:

- No commercial return at the household level for the hardest-to-reach properties: Private finance requires a risk-adjusted commercial return that cannot be achieved for fuel-poor, low-income households in poorly performing properties. These are precisely the households that area-based public investment must target.
- Effective area-based retrofit requires coordination across multiple property owners, tenures, and building types. Private developers do not have the authority, relationships, or incentive to coordinate at neighbourhood scale. Local authorities are the key as they have statutory authority and community trust to play this coordinating role.
- Fabric retrofit investments have payback periods of 15-25 years that are incompatible with commercial finance timeframes. Government capital can be patient, to bridge this gap.
- Any private developer that invests in area-based retrofit programme infrastructure bears all the development costs. Without government de-risking, no private developer will make this investment. The Net Zero Living programme demonstrated

that with modest public investment in programme development, local authorities can quickly build delivery capability.

Question 31: *How could government finance address this gap?*

There are several different models the Government can consider to address this gap, two are set out below:

- Model 1 is setting up a local investment model such as a Local Retrofit Investment Facility (LRIF) available to local authorities and strategic/combined authorities. This would sit within the Warm Homes Fund and offer long-term (25-30 year) loans at below-PWLB rates, allow Local Authorities to blend other sources of funding with the LRIF to increase leverage and deploy more capital. Government would need to take on 'first loss' risk for payment default as LA/Cas would not be able to take on the full risk. This solution would need to consider fuel poor households, where loans are not feasible but 'grants' or 'managed services' more applicable to their circumstances. Combined authorities with existing infrastructure investment vehicles could use these to manage and deploy the capital and avoid duplicating existing structures. LRIF repayments should flow back to a local authority-managed Revolving Retrofit Fund, allowing the investment to be recycled over time. Similar to the model used successfully by Salix Finance for public sector decarbonisation.
- Model 2 is the Neighbourhood Energy Transition Fund developed by the WMCA which sees Warm Homes Fund capital deployed into regional area-based investment funds) which are structured with four layers: a non-repayable grant base layer (Warm Homes: Social Housing Fund, Warm Homes: Local Grant, Boiler Upgrade Scheme) for fuel-poor households and social tenants; public sector equity as first-loss cornerstone providing patient capital and the track record the asset class currently lacks; private institutional debt leveraged by the public capital; and community equity stakes providing local stewardship and community ownership of the assets installed in their area. Existing government grant programmes should be the base layer blended together rather than operating as separate parallel schemes. Development finance for pipeline origination and programme design should be an eligible use of capital fund resources as a recoverable top-slice, not dependent on a separate grant budget. Model 2 is off -balance sheet for LAs/CAs and risk sits in the regional fund, whilst still using the skills, knowledge and engagement of LAs to develop area based programmes.

Question 32: *What wider policy barriers need to be overcome?*

- Local authority borrowing powers need clarifying. The Prudential Framework governs local authority borrowing, and there is uncertainty about whether on-lending to private households and businesses falls within councils' permitted purposes. MHCLG must issue clear statutory guidance confirming that retrofit on-lending is a lawful activity and does not count against General Fund borrowing limits.
- HRA ring-fence: Social housing retrofit financed through the LRIF must be clearly ring-fenced within the Housing Revenue Account, and HRA debt caps must be adjusted to accommodate multi-year retrofit finance programmes without squeezing investment in housing maintenance.
- Procurement rules for complex blended finance: Standard procurement regulations are designed for straightforward public contracts, not for blended finance instruments that mix grant, loan, and equity components. DESNZ and Cabinet Office should jointly develop procurement guidance for local retrofit investment programmes.
- Local authorities need access to energy performance data (from DESNZ), benefit entitlement data (from DWP), and health vulnerability data (from NHS) to effectively

target area-based programmes. Current data governance arrangements create significant barriers. A statutory data-sharing gateway for retrofit programme delivery is needed and consideration given to the Local authorities giving (restricted) access to trusted parties (i.e. Citizen's Advice) to support local targeting of interventions.

Public Private Partnerships and Blended Finance (Questions 33-36)

Question 33: *Would blended financing support the Warm Homes Fund aims?*

Blended finance, combining public grant, public loan, and private finance has significant potential to extend the reach of the Warm Homes Fund, but requires careful design to avoid the pitfalls of previous blended programmes.

- The Welsh Development Bank's affordable housing loan programme and the UK Guarantees Scheme for infrastructure projects demonstrate that government guarantees and first-loss tranches can successfully attract private finance into markets where commercial lenders would not otherwise operate.
- Benefits from blended finance at scale could be realised within 2-3 years, but require 12-18 months of programme development, legal structuring, and investor engagement before first deployment. Local authorities that have already built programme delivery infrastructure through HUG and WH:LG could mobilise more quickly.

Risks:

- Long-term policy certainty is an essential pre-condition for blended finance. Private finance will not participate without clear policy signals: If government signals future changes to MEES, EPC metrics, or subsidy programmes, private investors will price in this uncertainty with higher returns or simply withdraw.
- Complexity risk. Blended finance instruments are administratively complex. Smaller local authorities may lack the treasury management and legal capacity to participate so the Fund should support cluster arrangements that allow multiple councils to pool capacity for blended finance programmes or consider the NETF model.

Question 34: *Is there a need for finance here, and what are the barriers preventing private sector engagement?*

- Regulatory uncertainty: Rapid changes to EPC metrics, MEES standards, and technology eligibility make it difficult for private lenders to price retrofit assets consistently. Standardisation of EPC methodology under the Home Energy Model must be completed before private finance at scale is feasible.
- Green taxonomy uncertainty: The UK's implementation of sustainable finance taxonomy is incomplete, meaning that retrofit loans may not qualify for ESG-labelled bond issuance that could reduce lenders' cost of funds. DESNZ and HM Treasury should work with the FCA to establish clear green taxonomy classifications for retrofit lending.

Question 35: *How could government finance address this gap?*

- The Warm Homes Fund could act as the anchor investor for an initial retrofit loan securitisation, providing a backstop that enables private lenders to originate loans.
- Build on existing pilots using area-based blended finance to understand what works. IUK Net Zero Living programme and the LNZA programme provide options.

Question 36: *What wider policy barriers need to be overcome?*

- The Subsidy Control Act 2022 creates uncertainty around finance products that combine subsidy and loan components. DESNZ must publish specific guidance for retrofit blended finance.
- For a Local Retrofit Loan Facility (Model 1 in Q31) The Financial Services and Markets Act regulatory perimeter may need to clarify that local authority on-lending does not constitute regulated mortgage activity. Legal clarity from FCA is needed.

Section 2D: Electricity Market Participants

Question 37: *What are the barriers and constraints on DNOs receiving finance and how could they use the Warm Homes Fund?*

Local authorities interact with Distribution Network Operators (DNOs) primarily in the context of heat network connection costs, EV infrastructure, and grid reinforcement required for area-based electrification programmes. From a Local authority viewpoint

- Grid reinforcement is a critical bottleneck for place-based retrofit: When local authorities plan area-based heat pump installation programmes, DNOs frequently cite insufficient local network capacity as a barrier.
- DNO investment timescales are incompatible with retrofit programme timescales: Network reinforcement can take 3-5 years from planning to delivery, far longer than the timescale of typical retrofit grant programmes. Area-based retrofit programmes need early engagement with DNOs to assess network capacity and, where necessary, trigger investment.
- The Fund should support demand aggregation as a signal to DNOs that if local authorities can credibly commit to a multi-year programme of heat pump installations in a defined area, this provides the demand signal DNOs need to justify network reinforcement investment.
- The Fund should support Local Area Energy Plans (LAEPs) that integrate retrofit programmes with network planning that provides a shared evidence base for both public investment and DNO regulatory business plans.

Question 40: *Would energy as a service models support the Warm Homes Fund aims?*

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Yes. Below are some examples:

- Octopus Tenant Power provides an example – this model allows landlords to install solar PV on their stock with no upfront cost, with tenants paying a discounted rate for the electricity generated. Local authorities and housing associations should be able to access Fund-backed finance to expand this model to their entire housing portfolio.
- Community energy - EaaS models. Community-owned energy schemes such as solar farms with heat pump integration, community batteries can deliver bill savings alongside local economic development benefits. The Fund should support local authorities to act as anchor customers and co-investors in community energy projects, leveraging their public estate for energy projects.
- NETF model (see WMCA submission) identifies a consumer payment mechanism called the comfort fee as part of its product architecture: a service charge payable by the household or building occupier to an SPV (set up to support the regional fund) in respect of low-carbon energy infrastructure installed in their property. The comfort fee is calibrated below the household's pre-retrofit energy bill, so the resident is net better off from day one. Because the SPV owns and operates the assets, the household takes on no debt and faces no creditworthiness test. The comfort fee is a

universal route: it is available to owner-occupiers, private renters, social tenants, and commercial occupiers regardless of income or tenure.

Section 2E: Manufacturing and Supply Chain

Bulk Purchasing (Questions 49-52)

Question 49: *How could bulk purchasing support the Warm Homes Fund aims?*

Bulk purchasing is a key lever and evidence from the Net Zero Living programme and HUG delivery identify:

- The reverse auction model for City of York's ROSSY project demonstrated that aggregating demand across 34 properties with bespoke requirements reduced per-property installation costs. At local authority portfolio scale potentially covering thousands of social housing properties, savings of 15-25% per installation are achievable through procurement aggregation.
- Bulk purchasing creates a visible pipeline of demand that enables SMEs and sole traders to invest in workforce development, accreditation, and equipment.
- Bulk procurement allows local authorities to specify quality standards, performance monitoring requirements, and aftercare obligations as mandatory contract terms, standards that individual households cannot negotiate independently.
- UK Green Building Council evidence to the March 2026 parliamentary session noted that a 70% domestic heat pump manufacturing target by 2035 is achievable but requires market certainty. Bulk purchasing programmes create the demand predictability that manufacturers need to invest in UK production capacity.
- Bulk purchasing also allows Local authorities to get ahead of price rises in the market and lock in savings that will be felt by consumers.

Question 50: *Is there a need for finance here?*

- Local authorities cannot pre-fund bulk purchase programmes from general reserves without breaching prudential borrowing requirements.
- Private finance for bulk purchasing requires a creditworthy offtaker, this is typically the local authority to guarantee payment regardless of individual household uptake. Fund backing provides the credit enhancement that makes this possible.
- The private sector has no incentive to organise bulk purchasing programmes as the transaction costs fall on the organiser while the benefits are shared across many households and SMEs.

Question 51: *How could government finance address this gap?*

- A national procurement framework for retrofit, similar to the LHC N9 framework[5] for social housing retrofit consultancy, should be developed with DESNZ and Cabinet Office support, possibly via the Energy Hubs, allowing any council to access pre-negotiated contracts at bulk pricing without running an individual procurement exercise.
- Setting up regional bulk purchasing consortia where no single council has sufficient scale. The Fund could support the formation of regional consortia anchored in

[5] Retrofit and Decarbonisation (N9) | Frameworks | LHC

combined authorities or Net Zero Hubs to aggregate demand and access bulk pricing. Please see Regen's[6] Net Zero Living insights.

Skills and Workforce Investment (Questions 57-60)

Question 57: *How could loans for skills and training support the Warm Homes Fund aims?*

The workforce crisis is the most acute near-term constraint on Warm Homes Plan delivery. Local authorities could help to manage this through:

- Public sector purchasing power as a workforce development lever: Through their retrofit procurement frameworks, local authorities can require contractors to take on apprentices, fund upskilling, and maintain stable employment conditions as contract obligations.
- Where local authorities have relationships with further education colleges, they can co-commission retrofit training programmes that combine classroom learning with practical on-site experience. Cornwall College's Green Skills pathway and City of Portsmouth's Net Zero Training Hub are examples.

Question 59: *How could government finance address this gap?*

All Fund-backed programmes should require contractors to report on apprenticeships created, upskilling investments made, and employment quality indicators. This creates a 'social value' dimension to Fund finance that delivers workforce development as a mandatory co-benefit of every investment.

Visibility of future government funding and clarity from Local authorities on skills prioritisation will also incentivise potential delivery partners to invest in growth to meet the requirements in future procurements.

Section 2F: Heat Networks

Question 61: *How could the Warm Homes Fund support the market growth of heat networks?*

Heat networks are the most complex and capital-intensive element of the Warm Homes Plan, and the one where local authority involvement is most critical. The Warm Homes Plan envisages heat networks meeting a fifth of all heating demand by 2050.

- Under the Heat Network Zoning regulations coming into effect in 2026, local authorities will designate Heat Network Zones and act as Zone Coordinator Bodies. This is a significant new responsibility that requires immediate investment in skills, data, and programme management capacity. The Fund should explicitly support local authority Zone Coordinator capacity building.
- Heat networks face a fundamental viability challenge in the non-domestic sector, where electricity is purchased at non-domestic rates. Fund finance could support local authorities in developing shared infrastructure models that reduce connection costs for both commercial and residential customers. For example, the Swaffham Prior Community Heat Network, is finding the cost of connecting homes unviable and this is undermining heat network viability and its growth.
- Heat networks depend on large, stable heat demands such as NHS trusts, universities, local authority estates to achieve viable financial returns. The Fund

[6] All our Net Zero Living insights – in one place

should include specific provisions for financing public sector anchor loads in heat network zones.

Question 62: *Would investment in heat networks contribute to Warm Homes Fund aims?*

- Community heat network development grants. For networks in off-gas rural communities and deprived areas, should get support for connection costs. The Fund should support grants to enable increased connections to a network to support the networks viability. The Swaffham Prior Community Heat Network (SPCHN) is tackling rural, off-gas communities decarbonisation and is a good example of how funding connections would transform the viability of the heat network. There are examples in the SPCHN of homes not connecting due to connection costs.

Section 2G: Community Energy

Question 66: *How would investments in community energy support the Warm Homes Fund aims?*

Community energy organisations are among local authorities' most valuable partners for delivering the Warm Homes Plan. Evidence from the Net Zero Living programme demonstrates their capabilities:

- York Community Energy's[7] work is critical for reaching households that have not previously engaged with retrofit schemes. Community energy groups have relationships with residents that national programmes and commercial operators cannot replicate. They also developed a network of retrofit 'champions' past customers who advocate the service to neighbours. This peer-to-peer engagement model is far more effective than conventional marketing and reaches households that would not respond to official government communications.
- Community benefit models: Unlike commercial operators, community energy organisations can direct financial returns from solar PV and other projects back to community retrofit funds, creating a virtuous cycle of investment and benefit.

Question 67: *Is there a need for finance in community energy?*

Community Energy Groups should be considered in two categories – established Community Energy and emerging Community Energy and the Fund should be clear about the specific role that it sees for each of these groups interacting with the opportunity.

Even established Community Energy organisations face finance barriers that prevent them from scaling:

- Community share capital is limited and slow to raise, making it impossible for community energy organisations to respond quickly to programme timescales.
- Commercial lenders view community energy as higher risk, despite strong track records, because of their governance structures and limited assets. Community energy should be able to access low-cost finance.
- Revenue models for community buildings retrofit are inherently long payback, as energy savings in village halls, community centres, and faith buildings are modest relative to installation costs.

Fund finance for community energy should include:

- Loans secured against projected solar PV revenue rather than assets, making finance accessible to asset-light community organisations.

[7] Retrofit assessment services – York Energy Advice

- Community building retrofit grants: For VCSE buildings that serve as community hubs, Fund grants rather than loans are appropriate as the community benefit is a public good, not a private return.

Question 68: *How could government finance address this gap?*

- Community Development Finance Institutions (CDFIs) and social investment organisations have existing relationships with community energy groups. The Fund should partner with these intermediaries rather than attempting to build direct lending relationships with thousands of individual community organisations.
- Where community energy organisations operate in partnership with a local authority, the Fund should allow the council to provide a guarantee, reducing the interest rate charged and making investment viable.
- Consider the role of GB Energy as a Fund partner. GBE will have relationships with community energy groups via the Local Power Plan implementation.

Question 69: *What wider policy barriers need to be overcome?*

- Grid connection queues: Community energy projects face the same grid connection delays as large commercial projects but have far fewer resources to manage the process. A dedicated community energy grid connection pathway should be established.
- Community energy organisations pay VAT on installations that commercial operators can often avoid. This disparity should be addressed through a VAT relief mechanism for qualifying community retrofit projects.

Section 2H: Additional Use Cases and Recommendations

Question 70: *What other potential use cases are there for the Warm Homes Fund?*

Local authorities identify the following additional use cases that are not fully addressed in the Call for Evidence:

1. Integrated Place based Energy Services

Development of place-based, integrated neighbourhood energy services combining retrofit assessment, installation coordination, finance access, energy supply, and ongoing maintenance.

- This model, demonstrate by ROSSY in York, the Terraced Streets programme in Rossendale, and Cosy Homes Oxfordshire addresses all the major barriers to retrofit uptake: information, trust, finance, hassle, and quality.
- The Fund should create a dedicated 'Neighbourhood Energy Hub' grant programme, seeding the development of these integrated services in local authority areas, with the expectation that they become self-sustaining through service fees and cross-subsidy within 5 years.

2. Data Infrastructure for Place-Based Targeting

Effective area-based retrofit delivery requires data infrastructure that currently does not exist in a form accessible to local authorities:

- A local authority data gateway should be established, providing councils with access to DESNZ EPC data, DWP benefit entitlement data, and NHS health vulnerability data, subject to appropriate data protection safeguards.

- This would allow local authorities to proactively identify and engage the households most in need of retrofit, rather than relying on households to self-refer into schemes.
- Investment in this data infrastructure would increase the cost-effectiveness of all Fund programmes by ensuring that investment reaches those with the greatest need.

3. Group Purchase approach to solar PV

Many local authorities have engaged widely with the ‘Solar Together’ model as developed by iChoosr to support an area-based approach toward solar PV and battery storage retrofit. Some aspects of this delivery model could be considered for application of this Fund:

- Councils have a convening and oversight role and hold the principal contract with iChoosr as the chosen delivery partner
- iChoosr, in their role as delivery partner, procure several installers and manage the installation programme and quality, providing management information back to the council.
- The installer holds the relationship with the end customer and work with them to create the most suitable and affordable set of measures that suit their property and how they use it.