

Warm Homes Fund: Call for Evidence

Deadline: 1st June 2026

warmhomesfund@energysecurity.gov.uk

or

Online responses <https://energygovuk.citizenspace.com/energy-efficiency/warm-homes-fund-innovative-finance>

Consultation doc:

<https://assets.publishing.service.gov.uk/media/69c183b7bbodfe55b83e4be2/warm-homes-fund-call-for-evidence.pdf>

We submit the following response to the Warm Homes Fund (WHF): Call for Evidence.

The Centre for Sustainable Energy (CSE) is an independent national charity, established in 1979 to tackle climate change and end the misery of cold homes. For over 45 years, we've supported people to take effective action on energy in their homes. We work across many dimensions of the energy system, delivering retrofit programmes, supporting the development of community energy projects, working with local councils, networks (administering community grants for fuel poverty advice and community building energy upgrades, Innovation projects to improve inclusion) and energy companies (energy advice services). We have research expertise in energy regulation and its impact on vulnerable consumers and the fuel poverty and social distributional impacts of energy policy.

In 2024-25 our retrofit team supported 2,600 households with energy efficiency improvements, including 1,400 rooftop solar PV arrays, over 400 heat pumps and more than 900 large-scale insulation projects, along with thousands of additional smaller works from draught-proofing to lighting.

Executive Summary

We welcome the call for evidence, but are concerned that it is too unfocused and, given the time remaining for implementation before the next election, too broad. The Warm Homes Fund (WHF) should concentrate on doing a few things well. We have real concerns over the scope of the WHF and its ability to operationalise and deliver at pace for all the target sectors set out. We suggest the WHF is focussed on the following key sectors, in priority order:

- Attractive low interest loans for householders that drive uptake of retrofit measures.
- Only using 0% interest loans for the fuel poor to extend their package of retrofit measures, or fund the remedial measures needed to unlock grant funding.
- Finance for landlords to meet MEES regulations and the Decent Homes Standard.
- Loans for Councils or Combined Authorities to run area-based programmes, including solar programmes for public buildings (convened sub-regionally using blended finance and a diverse revenue stack).

We welcome and support the creation of finance options for middle-income households without sufficient savings and for landlords to meet higher standards in the rented sector. For the WHF to be a success however, lessons have to be learnt from the failure of the Green Deal, caused by high interest rates, complexity and a poor customer journey. The overall focus should be on low-cost finance, blended funding, local delivery, and public value rather than financial return.

Furthermore, whilst we strongly support the fund's creation which will stimulate demand, we see a significant risk of mis-selling which must be mitigated. Any finance options must lead on from high quality independent advice to ensure that measures being financed are the best choice for the client's property and situation, are value for money and result in a return on that investment for the owner or occupier.

We raise serious concerns about the principle of offering finance to low income and fuel poor households, which may worsen their situation. These households will generally require grants or near-0% loans rather than commercial lending, however we do see a role in offering 0% interest loans to fund remedial repairs to the properties in the worst condition, to bring them up to a state where they are suitable for grant funded retrofit through the warm homes plan.

Community buildings often have a significant unmet demand for fabric improvements and low carbon technologies, as such it is good to see them represented in this call for evidence. However, these buildings and organisations typically have low-income levels and risk tolerance and cannot sustain commercial debt levels and therefore require grant support.

We do not support the provision of WHF funding to energy suppliers.

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 support your assessment of the strategic opportunities and challenges, although we note that whilst the questions ask for feedback on risks, there's little analysis outlining the risks associated with the proposed options.

We see a significant risk that if interest rates are set too high, loan offers won't be taken up.

We consider that the WHF has considerable potential to improve and simplify the user journey, improve payback periods for self-funding customers and in conjunction with quality assurance processes, build public trust in the retrofit process.

We welcome mention within the plan of exploring third party retrofit funding for vulnerable households based on wider societal savings and avoided costs. As acknowledged in the 2025 Fuel poverty strategy, poor health arising from cold and damp homes costs the NHS hundreds of millions per year. Programmes we have developed such as WHAM (Warmer Homes, Advice and Money), Warm and Safe Wiltshire, and our Home Energy Advice Service illustrate the potential of integrated support programmes linking housing conditions, fuel poverty, and health outcomes.

These initiatives combine referral pathways from health and social care professionals with tailored energy advice and targeted home improvements such as insulation or heating upgrades, focusing on households with existing health vulnerabilities. By addressing cold, damp, and energy-inefficient homes—well-established drivers of respiratory and cardiovascular illness—they aim to prevent deterioration that can lead to GP visits, hospital admissions, or delayed discharge.

While funding is often led by local authorities or public health teams, these models demonstrate clear potential for health providers, including NHS Systems, to invest more directly in retrofit and fuel poverty alleviation as preventative interventions. In doing so, they could reduce significant downstream healthcare costs associated with avoidable admissions and “bed blocking”. However, despite having placed fuel poverty caseworkers in hospitals and GP surgeries¹ to give support to vulnerable patients, we have found it very difficult to quantify the savings to the NHS. To monetise these savings health providers often want to see causality – this is almost impossible to achieve without data sharing between the health service and those delivering retrofit programmes. Health data is sensitive and data sharing is a blocker to unlocking funding for retrofit measures, in our experience the interpretation of GDPR can vary significantly from NHS provider to provider.

With limited budgets and growing demand few NHS trusts can justify redirecting health spending towards funding retrofit work, even if it would likely reduce ill health and possible future admissions. For such projects to work NHS trusts must have access to additional funding on top of their existing settlements. We would welcome national guidance on GDPR and sharing of best practice examples.

We have recently commented on the potential for Distribution Network Operators to fund retrofit measures to avoid the costs of reinforcing the grid. There is similarly potential for NHS trusts, health boards and local authorities to identify areas of ill health arising from poor housing (combining health and housing condition data), where retrofit funding could avert ongoing health costs.

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

High interest rates are the key factor that will put people off green finance associated with domestic retrofit. There is a mountain of evidence associated with the reasons behind the failure of the Green Deal. Overcomplexity of the process and trying to secure loans to the meter/property also put people off. It is imperative that anyone designing the WHF reads the research literature on why the Green Deal failed. E.g. [A postmortem of the Green Deal: Austerity, energy efficiency, and failure in British energy policy](#), by Jan Rosenow.

Our energy advisors and caseworkers who speak to thousands of people in fuel poverty each year identified these as the key barriers to the green finance currently available:

- Fear of taking on debt.

¹ [Warmer Homes Advice and Money \(WHAM\)](#) and [Warm & Safe Wiltshire](#)

- Not feeling able to afford repayments.
- Already being in arrears or financial difficulty.
- Previous bad experiences with borrowing.
- Worried about being refused.
- Old age – not expecting to live long enough to pay back or experience the benefits.
- High interest.
- Would rather live with current situation.

They find that where 0% interest is available people are more open to this option. They also find that people on low income who own their own homes are often convinced by the option where they do not have to make a regular payment against the loan, and instead the loan and its interest is taken out against their property – only to be repaid when the property is sold.

We frequently refer clients to [Lendology](#) for low interest loans and think their model could be expanded and built upon. Lendology is a council-backed social lender offering fixed-rate, low-cost loans secured against customers' properties through a Title Restriction. When the property changes ownership, the loan must be settled. This enables Lendology to lend to a wider range of customers, including customers with a poor credit rating.

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

We support loans being offered to landlords to help them meet the Decent Homes Standard or comply with MEES regulations, loans for community energy projects and loans for housing associations and local authorities could help expand place-based home retrofit schemes.

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

Households in fuel poverty or on low incomes are often unlikely to take out loans for a number of reasons:

- Risk averse – not wishing to get into debt.
- Existing debts – not willing to take on further debt.
- Poor credit ratings – as a result of their income and previous lending profile they are unable to access loans.
- Savings aren't likely to be achieved – many low-income households are self-disconnecting as they can't afford to pay their bills, therefore, any potential savings to repay the loan are likely to be spent on improved comfort.

We raise significant concern about offering households already in a negative budget further debt. These types of households will often be rationing heating so the typical savings from each intervention may not apply to them. While they would experience increased comfort, the repayment period for the debt may be much longer than expected. Encouraging these households to take on further debt risks increasing financial hardship and

reinforcing unsafe rationing behaviours. These households need to be supported in making their homes warmer through public-funded grant schemes and support programmes.

However, through our work we encounter some low-income households in the worst performing properties (and the most severe need) which we are unable to refer through for grant funded retrofit because their homes are in such poor condition. These properties often need remedial repairs that the householder has been unable to fund, for instance to their roofs, pointing, guttering or resolving damp before any retrofitting work can commence. We would support these households being offered finance at low or 0% interest rates to fund preliminary remedial repairs, enabling them to access grant funded retrofit packages.

These households typically do not have a good credit score or favourable mortgages that lend themselves to typical green finance packages. We work with these clients to help manage their debts and access loans for retrofit from socially driven providers like Lendology.

If loans are part of the mix for retrofit packages for low-income households, they should be made available at 0% interest rates (potentially offset by slightly higher rates – 2-3% for middle income households). We raise concerns about the principle that warm home fund investments should not require subsidy and should offer a return to offset the Government's cost of financing, the prevailing gilt rate, currently 4.65% - 4.93% for a 10-year gilt. Whilst we appreciate the need to achieve value for money, the predominant reason the Green Deal failed was high interest rates.

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

We support the proposed overarching aims to reduce consumer energy bills and accelerate decarbonisation, by supporting the building upgrade supply chain with investments to bring down costs and scale up the deployment of low carbon technologies. But loans and equity investment alone will not achieve this. If targeting any of the WHF at low income or fuel poor households outside the social or private rented sector then a blended finance approach that includes grant funding should be considered.

Question 6: Do you agree with the proposed technology scope and are there any technologies missing that you think the Fund should focus on? Please provide evidence to support your response.

We agree with the majority of technologies listed. However, as discussed in the recent consultation, [Exploring the role of alternative clean heating solutions](#), not all properties will be suitable for being heated using these technologies. The scope of renewable heat measures fundable should be align with the outcome and findings from that consultation. Additionally within heat network zones, funding for heat networks should be prioritised over heat pumps or other individual solutions to maximise benefits to both consumers and the electricity grid.

Whatever technologies are selected as being in scope, the funding programme should be aligned and integrated with consumer facing advice to help consumers choose the measures most suitable and cost effective for their property and personal circumstances. We strongly support finance options to widen access, but it is vital if households are taking on debt to acquire low carbon technologies that they are well advised, that their investment represents value for money which reduces their energy bills. We see potential for miss-selling if householders do not have access good quality, independent advice. The alternative is another scandal similar to the lawsuit that's been brought against finance providers associated with car finance.

We would request more justification on the proposal to direct funding at local network upgrades. Whilst we agree that such upgrades will be necessary to support decarbonisation, DNO's are responsible for planning and delivering these, in conjunction with the emerging Regional Energy Strategic Plans (RESP) led by NESO. As discussed in response to question 37 we consider there is potential for DNO's to fund the installation of low carbon technologies in areas where this would be cheaper than the cost of physical network upgrades or reinforcement.

Question 7: What is the extent to which the Warm Homes Fund could support additional measures in new build social and affordable housing? Please describe how the resulting benefits could be realised from WHF investment.

Many local authorities have already developed binding zero carbon standards which are more ambitious than the future homes standard and demonstrated that such standards do not threaten viability. Whilst the Future Homes Standard will reduce emissions from new dwellings, it is not a net zero emission standard. Our position is that all new homes should be zero carbon by design, with very high levels of fabric efficiency, on site renewable energy sufficient to meet 100% of electricity demand on-site, measures to support the flexible use of energy and robust compliance measures. It should not be necessary to retrofit new 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 proposals to invest in the supply chain and work-force training and development. In our experience the demand for retrofit and the availability of properly trained contractors to carry out high quality work are inextricably linked. There aren't enough skilled or qualified people to do the work across all trades and roles, including heating engineers and installers, joiners, plasterers, retrofit surveyors and energy assessors. Without access to accredited contractors, trustworthy sources of advice and a smooth user journey, latent demand for retrofit and low carbon technology cannot be fully expressed.

We strongly support measures through the WHF and Warm Homes Plan (WHP) to increase demand for low carbon technologies and home retrofit improvements, but to be delivered, the capacity of the sector (which is dominated by medium, small and micro businesses) must

be grown and sustained. Previous boom and bust funding pots which stoked demand in the short term have failed to sustainably grow the market.

There is a strong need for:

- Continuing professional development and training to enable builders and SME's to carry out retrofit work and to scale up the workforce to install low carbon technologies, such as heat pumps
- Clear pathways and guidance for young people to enter net-zero careers, aligned with retrofit and zero-carbon skills needs, including work experience, training and apprenticeships
- Training to enable local and regional delivery bodies to provide high quality advice on retrofit and low carbon technologies.

However, as discussed in response to question 57, we raise significant concerns about replacing training grants with loans. Training institutions won't take out these loans without confidence that training places will be taken up, and contractors with full order books of ordinary construction work won't take out loans to pay for training without confidence this will translate into paid work.

In principle we support the suggestion to support clean energy technologies which would disproportionately benefit low-income households, such as providing top up funding low carbon replacements for direct electric heating, adding to the £7,500 boiler upgrade scheme. Given continued high fossil fuel prices and instability, we would also suggest extending this to include low-income households on oil or LPG heating systems.

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

Polling from Citizens Advice showed that consumer protections provided by the Consumer Credit Act (Section 75) support the uptake of loans and finance for green home upgrades like heat pumps and solar panels. Section 75 makes both the retailer and credit company responsible for putting things right if a product costing between £100 to £30,000 is faulty, does not work or is not what was promised. We are aware that government is proposing reform of the Consumer Protection Act. We share Citizen Advice's concern that weakening the protections offered by section 75 would undermine consumers' confidence to take up the finance offers set out in the call for evidence.

Question 10: How could the Warm Homes Fund address these gaps with repayable finance where the government makes a return?

No response.

Question 11: Should government focus non-domestic funding on one or more of the following groups:

- A) Voluntary, Community, Social Enterprise Sector (VCSEs)
- B) Small and Medium Businesses (SMEs)
- C) Hospitality and Retail Sector
- D) Other non-domestic sectors

As noted in Q12 we are concerned by the scope of the WHF and would urge Government to focus on a smaller subset of actors.

A. Of those listed, we would most strongly support communities being able to access grant funding to fund upgrades to community buildings where they would lead to bill reductions or income generation.

Question 12: Do you agree with the proposed list of groups that the Warm Homes Fund may support and are there any other groups which should be supported?

We generally agree with and support the groups identified as being eligible for funding, but we have real concerns over the scope of the WHF and its ability to operationalise and deliver at pace. We would welcome a greater short-term focus on householders, area-based programmes (which need convening sub-regionally using blended finance and a diverse revenue stack) and community energy / retrofit projects.

Currently the proposals are wide reaching with numerous options that lack clarity on what the funding would be for. We do not think that it's going to be possible to create a range of products covering all of these groups in the next two to three years.

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

As noted in our opening statement, owner occupiers who are on a low-income households and in fuel poverty need to be offered grant funding to address their energy costs and help them transition to net zero.

There are many owner occupiers who are interested in retrofitting their homes and as such could benefit from an attractive finance offer to do so. CSE recognised this need and as a result worked with the West of England Combined Authority to establish, Retrofit West CIC, one of UK's most successful one stop shops for retrofit. The Retrofit West Scheme grew from years of practical experience delivering individual local housing retrofit programmes to deliver warmer, healthier homes for our local residents and in recognition of the significant

growth opportunity for local businesses². The scheme currently consists of three elements: Advice, Business Support and Skills. It was launched in July 2023 by Ed Miliband MP.

Retrofit West CIC is the main delivery partner for the Advice and Business Support projects. It is poised to expand delivery as policy progresses in line with the Warm Homes Plan. The CIC has developed into one of the UK's few successful examples of a place-based delivery model. The current delivery programme includes independent, trusted local advice for homeowners and private landlords plus a programme of skills and support for local installers.

If the WHF is going to successfully offer loans to households, then there will need to be a demand for them. One stop shops like Retrofit West are key to both generating the demand for these loans and then hand holding people through the retrofit process via independent advice.

Retrofit West CIC has to date provided information and advice to thousands of local households through over 49,000 website views and a trusted trade directory of 100+ local providers. Last year WECA commissioned an [independent evaluation of Retrofit West](#), carried out by Steer Economic Development, full report and Best Practice Review attached. Of the 300 homeowners surveyed:

- 25% reported having completed an installation.
- A further 32% reporting that an installation was underway, and...
- 18% were looking for suppliers or awaiting quotes or a date for installation.

This indicates that 75% of households who engaged with the service went on to install measures. If loan financing were available alongside further funding for advice provision, then we would be able to extend our reach to those households for whom retrofit is currently unaffordable.

We agree with ADE that the WHF should take a spatial approach to heat subsidies/loans/grants, ensuring the right technology is supported in any given location/building type. Technologies should be judged on their cost, carbon performance, and suitability for the property.

Question 14: How are financial institutions currently using EPCs to inform their financial products, and are there any other implications of the use of EPCs for financial products that we should consider?

As the list of providers curated by the Green Finance Institute shows, the vast majority of lenders currently base green mortgage offers on EPCs

<https://www.greenfinanceinstitute.com/products-solutions/green-mortgages> but unsecured loans for additional upgrades are less reliant on EPCs

<https://www.greenfinanceinstitute.com/products-solutions/unsecured-green-home-loans/>

² [Bristol Net Zero by 2030 evidence report](#) demonstrated that there was a potential market worth over £2bn from housing retrofit across Bristol alone, with the market for the whole of the West of England estimated to be nearer to £5b.

Concerns about EPC accuracy and fraud are well documented. Our view is that to speed uptake in the owner occupier sector, loans should be based simply on approved measures as opposed to adding unnecessary complexity of requiring EPC assessments or arbitrary thresholds to be met.

The Home Energy Model, with a more flexible, modular approach should allow more accurate, measured/in-situ data to be used instead of relying on inflexible defaults and therefore increase the accuracy of EPCs. However, in our consultation response we raised concerns that the proposals did not set out enough detail on how inputs will be validated, how approved sources/methodologies will be enforced, and how fraud will be detected and prevented.

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

No response.

Question 16: What loan attributes (e.g. lower interest rates, stronger consumer protection, an easier customer journey, more innovative finance products) would be most valuable to expand in the market?

Lower interest rates, stronger consumer protection and a loan linked to local schemes that provide advice and support are the essential features. Innovative finance products may help but we don't need more pilots and tests. There is a clear gap in the current market with no low interest, government backed loans available for middle income households who don't have savings or income to fund measures.

Question 17: Would Property Linked Finance (PLF) support the draft Warm Homes Fund aims, when could benefits be realised, and what risks need to be considered? Please give evidence to support your answer.

We support the use of property linked finance alongside other financial offers to widen access to finance. Because the debt is linked to the property and transfers to any new owner, PLF could reduce payback anxiety for the household taking out the loan. This matters because homeowners may be reluctant to finance low-carbon technologies if they are unsure the investment will pay back during their period of ownership.

However, as [Nesta](#) has evidenced, PLF is not yet deliverable. It would require regulatory change and could bypass important protections provided by the Consumer Credit Act.

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

No response

Question 19: How could government finance address this gap with repayable finance where government earns a return? Where possible, please describe how this model could work.

No response

Question 20: What are the wider policy barriers that may need to be overcome to realise the benefits from PLF? Please consider any specific areas of law, regulation or other policy which may need to change.

No response

Question 21: What barriers and opportunities do private landlords encounter when accessing loans or investing in warm homes upgrades for their properties and how could the Warm Homes Fund help them overcome these barriers?

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?

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?

Question 24: Would revenue and savings sharing models support the draft Warm Homes Fund aims, when could benefits be realised, and what risks need to be considered? Please give evidence to support your answer.

Question 25: Is there a need for finance here, and what are the barriers that prevent the private sector from filling it?

Question 26: How could government finance address this gap for revenue and savings sharing schemes, with repayable finance where government earns a return? Where possible, please describe how this model could work.

Question 27: What are the wider policy barriers that may need to be overcome to realise the benefits from revenue and savings sharing schemes? Please consider any specific areas of law, regulation or other policy which may need to change.

Question 28: Are there differences in Housing Association property ownership structures (i.e. direct development, partnerships or joint ventures) or any other factors that would affect the ability of those social housing owners to take on a loan?

Question 29: Would area-based investment funds support the draft Warm Homes Fund aims, when could benefits be realised, and what risks need to be considered? Please give evidence to support your answer.

We see considerable scope for area-based initiatives to support the WHF aims.

There is huge potential for local communities to innovate in partnership with local government. CSE's [Community Climate Action Plans](#) (which were conceived as part of the project Bristol Mission Net Zero) were developed with Bristol City Council. These plans show how locally led, place-based projects can deliver investable plans which deliver climate, social and economic benefits rooted in community priorities. Plans were co-designed with residents in three Bristol neighbourhoods (Southmead, Easton and Knowle West) supporting local anchor organisations through extensive community engagement. This process identified three shared priorities: street-based home retrofit, maximising the community value of local assets, and building skills and community wealth.

As discussed at question 38, we also see opportunities for place-based projects to integrate heat network connection and gas network disconnection and reduce system costs.

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

Question 31: How could government finance address this gap with repayable finance where government earns a return? Where possible, please describe how this model could work. Please also consider whether financing for retrofit could be meaningfully combined with existing local investment funds.

Question 32: What are the wider policy barriers that may need to be overcome to realise the benefits of local investment funds? Please consider any specific areas of law, regulation or other policy which may need to change.

Question 33: Would blended financing support the draft Warm Homes Fund aims, when could benefits be realised, and what risks need to be considered? Please give evidence to support your answer.

Question 34: Is there a need for finance here, and what are the barriers that prevent the private sector from filling it?

Question 35: How could government finance address this gap with repayable finance where government earns a return? Where possible, please describe how this model could work.

Question 36: What are the wider policy barriers that may need to be overcome to realise the benefits of blended finance? Please consider any specific areas of law, regulation or other policy which may need to change.

Question 37: What are the barriers and constraints on distribution network operators (DNOs) receiving finance and how could they use the Warm Homes Fund to help deliver the draft aims?

In response to the recent Ofgem [consultation](#) on the future role of DNO's in supporting the rollout of low carbon technologies, we suggested there may be potential for DNOs to fund the installation of low carbon technologies that resolve network constraints more cheaply than physical reinforcement or areas where there is headroom to accelerate LCT deployment. DNO's would be well placed to identify areas where there's an intersection of network and social benefits.

Within our response we raised concerns about DNO's leading or targeting the direct delivery of energy efficiency and low carbon measures, and in specifying the measures which should be funded. DNOs do not have the expertise to lead retrofit programmes. These activities should be managed by local authorities and housing providers who better understand the retrofit needs of their local housing stock and residents and who often have existing expertise and experience coordinating local housing retrofit delivery. There is also potential for wasteful duplication with the Warm Homes Agency (WHA) – depending on the role and remit of the agency.

Question 38: What are the barriers and constraints on Gas Distribution Networks receiving finance and how could they use the Warm Homes Fund to help deliver the draft aims?

We agree that there is significant potential for place-based projects taking an integrated approach to heat network connection, gas network disconnection (and partial gas network de-commissioning) with areas where such projects might be feasible and cost effective identified through heat network zoning and RESP. We agree that a coordinated transition could reduce overall energy system costs compared to a business-as-usual approach, enabling the less well used areas of gas networks to be cut back, with subsidies provided to the remaining customers to transfer to heat networks.

We do not however see logic in Gas Distribution Networks leading projects primarily intended to encourage connections to heat networks, as at present, they are incentivised by RIIO to defend the value of the gas network. We envisage therefore that such projects would best be run (and funded) as partnerships between Heat Network Coordinators, Heat Network operators, GDN's and DNO's so that potential reductions in whole energy system costs can be brought out. In this context we would like to see further exploration of local authority or community-led ownership models for heat networks.

Question 39: What are the barriers and constraints on energy suppliers receiving finance, and how could they use the Warm Homes Fund to help deliver the draft aims? Are there specific balance sheet requirements or policies such as the Ofgem Price Cap that inform your view?

We do not see benefit in energy companies being offered finance.

Question 40: Would the energy as a service models outlined (or any others, including those emphasising consumer-led flexibility) support the draft Warm Homes Fund aims, when could benefits be realised, and what risks need to be considered? Please give evidence to support your answer.

There is potential for energy as a service models to support the aim of the WHF by helping to overcome the high upfront costs of low carbon technology. If they are correctly implemented, they bring have the benefit of putting the responsibility for effective operation of a homeowner's energy system into the hands of an expert provider. This provider can then

use data insights to extract additional energy reductions from the householder's system. It also enables the provider to develop monetisable aggregation opportunities, such as 'behind the meter' batteries to improve grid flexibility.

However, we have significant concerns about the risks these models pose to consumers, particularly about the lack of clarity of bundled products, customers being locked into long-term third-party ownership (TPO) arrangements which don't allow competition and the implications for consumers should their circumstances change.

Research from Citizens Advice³ into consumer attitudes towards TPO models for home retrofit highlighted the following key consumer concerns:

- The complexity of TPO agreements.
- The language used is not always clear.
- The impact of long-term contracts (of up to 20 years) given market volatility and risk of provider insolvency.
- Having something so integral to their warmth and comfort in their homes removed or disconnected.

Citizens Advice concludes that, if these models are to play a meaningful role in expanding access to retrofit, strong safeguards are essential. In particular, they recommend that consumers should have clarity with access to clear information and advice: clear, comparable information on costs, savings, performance, and responsibilities to help consumers understand and trust TPO offers.

- Product and service standards should be maintained throughout lengthy contract terms: minimum quality and performance standards, clear long-term accountability for maintenance and delivery and ongoing monitoring and proportionate regulation.
- Products should remain affordable throughout the contract, with protections for consumers if their circumstances change: built-in protections for life changes (e.g. moving, hardship); fair, flexible contract terms; upfront clarity on long-term affordability.

Given these unresolved risks, we do not believe energy-as-a-service models are currently ready to be widely supported without stronger consumer protections and regulatory oversight.

Question 41: Is there a need for finance to support the growth of particular energy as a service models and what are barriers that prevent the private sector from filling it?

³ Owned and Operated - Building consumer confidence in third party ownership models for home energy – Citizens Advice - https://assets.ctfassets.net/mfz4nbgura3g/6r2LRkimhZcKW84ZybVjJO/of1ecoaeccb3a7044f56a3acec95b104/Owned_and_Operated_-_Building_consumer_confidence_in_TPOs.pdf

Question 42: How could government finance address this gap for energy as a service models, with repayable finance where government earns a return? Where possible, please describe how this model could work.

Question 43: Is there an opportunity for government to buy equity in companies that offer energy as a service, including solar subscription services?

Question 44: What are the wider policy barriers that may need to be overcome to realise the benefits from energy as a service models? Please consider any specific areas of law, regulation or other policy which may need to change.

Question 45: Would loans to enable network connections support the draft Warm Homes Fund aims, when could benefits be realised, and what risks need to be considered? Please give evidence to support your answer.

This does not feel appropriate and DESNZ should be considering why this policy intervention is even being proposed. It would be better to ensure any publicly procured heat network considered those places that should be served by the heat network and made this available to households at an affordable cost.

If loans are offered to households to connect to a heat network, then they are joining a monopoly heat supplier with lower consumer protections, in our view this is completely inappropriate for low-income households. These households should be offered a free connection as a minimum.

It would be helpful to have more clarity as to what would be funded by these loans. Would the loans cover any necessary studies and preparatory work to make a building heat network ready? Where finance is provided to enable heat network connections, loans should cover the additional costs incurred.

Question 46: Is there a need for finance here, and what are barriers that prevent the private sector from filling it?

Regarding anticipatory unlooping programmes, these are already promoted and factored into ED3 and we anticipate that RESP may identify where such programmes are most needed. It is unclear how WHF should, or could, integrate with planned funding supplied via ED3.

In principle we welcome financial products and government interventions which would de-risk heat networks and crowd in private sector investment but would argue for such funds to

be provided alongside rather than instead of grant schemes like the Green Heat Network Fund.

Question 47: How could loans to enable network connections address this gap, with repayable finance where government earns a return? Where possible, please describe how this model could work.

Question 48: What are the wider policy barriers that may need to be overcome to realise the benefits from loans to enable network connections? Please consider any specific areas of law, regulation or other policy which may need to change.

Question 49: How could bulk purchasing support the draft Warm Homes Fund aims, when could benefits be realised, and what risks need to be considered? Please give evidence to support your answer.

Based on our involvement with the DESNZ funded Bristol Heat Pump Ready pilot, the following summarises our lessons learned:

- Who holds the measures – installers, particularly smaller contractors, are reluctant to hold large quantities of materials or equipment. This impacts on cash-flow and increases storage costs. Working with a builders merchant allowed us to address this issue.
- Brand loyalty – many installers work with particular insulation systems or heating manufacturers. If the best price can be achieved with Manufacturer A it may be that the installer needs retraining as they work with Manufacturer B. They may also not like Manufacturer A and as such feel less inclined to engage with the programme.
- Floor price – there's only so much to be gained from bulk purchasing, particularly when demand for heat pumps and solar panels remains high globally.

Encouraging manufacturers to develop their UK supply chains and manufacturing base may have a longer-term impact than bulk-purchasing.

Question 50: Is there a need for finance here, and what are the barriers that prevent the private sector from filling it?

As currently configured, under the Boiler Upgrade Scheme the £7,500 subsidy is deducted upfront from the amount paid by the homeowner. However, installers can only recover this grant from Ofgem after the installation has been completed, and eligibility rules prohibit passing this interim cost on to customers.

This creates a significant cashflow burden for installers, who must effectively finance £7,500 per installation in addition to covering their usual upfront material and labour costs.

While larger firms may be able to absorb this requirement, we understand that many SMEs and micro-installers are constrained by it, limiting the number of installations they can deliver. We therefore urge reform of the scheme to resolve this issue, which currently acts as a barrier to scaling delivery by smaller providers.

Question 51: How could government finance address this gap with repayable finance where government earns a return? Where possible, please describe how this model could work.

Question 52: What are the wider policy barriers that may need to be overcome to realise the benefits of bulk purchasing? Please consider any specific areas of law, regulation or other policy which may need to change.

Question 53: How could equity investment support the draft Warm Homes Fund aims, when could benefits be realised, and what risks need to be considered? Please give evidence to support your answer.

Question 54: Is there a need for finance here, and what are the barriers that prevent the private sector from filling it?

Question 55: How could government finance address this gap with equity where government earns a return? Where possible, please describe how this model could work.

Question 56: What are the wider policy barriers that may need to be overcome to realise the benefits of equity investment? Please consider any specific areas of law, regulation or other policy which may need to change.

Question 57: How could loans for skills and training support the draft Warm Homes Fund aims, when could benefits be realised, and what risks need to be considered? Please give evidence to support your answer.

We have significant concerns about using loans to fund skills development and training. A loan-based approach risks undermining progress made through the Heat Training Grant, which funds providers to put the infrastructure and capacity in place to run courses. If the grant is replaced by loans then the Higher Education Colleges won't take the risk associated with putting these courses on.

Evidence from the HTG mid-scheme review⁴ highlights the importance of grant support in driving participation. When questioned, 71% of HTG Graduates said that they would not have completed heat pump installation training if subsidised training under the HTG was not available.

This finding mirrors our experience of delivering retrofit training through our project [Future Proof](#)⁵ and our independent partner organisation [Retrofit West](#)⁶, both of which carry out independent retrofit assessments, organise domestic retrofit for the self-funded market. Both schemes offer free and low-cost training for electricians, plumbers and contractors to carry out retrofit work to a high standard, and match-make clients with contractors to do the work.

In addition, Retrofit West who focus entirely on the retrofit market, work independently with colleges and standalone training providers, utilising their deep knowledge and close working relationship with the installer market to ensure courses are tailored to exactly what is required by this emerging market and have to date delivered over 2000 hours of support to this area.

What we've found is that even with free and low-cost training, it is difficult to get contractors to give up a day of paid work to undertake training, This results in some courses although in demand struggle to fill their full capacity. We have also heard anecdotally that some Net Zero Hubs have returned skills funding that had been allocated. Put simply, if we can't get people to take up grant funding for training, how can we expect people to take loans out for training.

In contrast to other sectors of the economy, the retrofit sector is largely comprised of small and micro businesses. Businesses of this type typically don't have training budgets, and most of them, by and large, have full order books of conventional construction work. Time spent in training therefore represents a direct loss of income. They certainly are likely to have little appetite for increasing the cost by borrowing to pay for training without confidence that this will translate into paid work.

⁴Heat Training Grant (HTG) Mid-Scheme Review: Survey of HTG Graduates

<https://www.gov.uk/government/publications/heat-training-grant-heat-pump-scheme-review>

⁵ <https://www.futureproof.uk.net/>

⁶ <https://trades.retrofitwest.co.uk/>

In addition, the likely failing attendance in training provision will lead to an exodus of training courses from this market which are scaling up for what is a slowly growing (but sensitive to funding shock) training market.

Whilst the Heat Training Grant has made progress, the mid-scheme review revealed a limitation: Only a quarter of respondents reported that they had installed a heat pump since completing the subsidised training under the HTG.

To effectively expand the sector, training needs to integrate work experience and dovetail into paid work:

Examples from the sector, in addition to our own projects include:

- **Heat Geek**: combines training with ongoing mentoring, which can help participants apply learning in practice.

Question 58: Is there a need for finance here, and what are the barriers that prevent the private sector from filling it?

Question 59: How could government finance address this gap with repayable finance where government earns a return? Where possible, please describe how this model could work.

Question 60: What are the wider policy barriers that may need to be overcome to realise the benefits of skills loans? Please consider any specific areas of law, regulation or other policy which may need to change.

Question 61: How could the Warm Homes Fund support the market growth of heat networks as set out in the Warm Homes Plan?

Question 62: Would investment in heat networks – whether for connection costs, compliance with Heat Network Technical Assurance Scheme requirements, capital support – contribute to the draft Warm Homes Fund aims? When could benefits be realised, and what risks need to be considered? Please give evidence to support your answer.

We would strongly support mechanisms and loans which would make it easier for individual building owners to connect to heat networks, giving building owners the confidence to plan to connect when they next renew their building's heating. As noted in Q45 however, it is totally inappropriate to expect low-income households to take out loans to connect to heat networks, grant funding will be necessary to make this possible. Support mechanisms should be tailored to household income.

To date, heat networks have largely focused on connecting large anchor loads. While emerging regulation has explored zoning and the identification of buildings that may be required to connect, there has been comparatively less emphasis on standardised mechanisms and processes to support building owners who wish to initiate connections voluntarily.

The higher the proportion of buildings served by a heat network the lower the system costs are likely to be. Likewise, streamlining, simplifying and standardising the customer journey for individual consumers wishing to connect their buildings is likely to increase the speed of take-up.

Therefore, we consider that investments which enhance the continuity of heat networks and support more finely grained networks are strongly aligned with the aims of the WHF.

For heat network operators, uncertainty of domestic up-take is a commercial risk, including factoring in future connection phases arising from significant multi-phase developments where the uncertain timing and delivery of these developments impact overall economic viability. We see potential for WHF to provide contingency funding (at competitive rates) for heat network developers to reduce the risk profile of network expansion projects and increase investibility.

Question 63: Is there a need for finance here, and what are the barriers that prevent the private sector from filling it?

We see potential for the WHF to reduce the cost of capital associated to heat networks projects to support the expansion of heat networks and increase the proportion of connected properties within heat networks.

Question 64: How could government finance address this gap with repayable finance where government earns a return? Where possible, please describe how this model could work.

Question 65: What are the wider policy barriers that may need to be overcome to realise the benefits from the outlined investments into heat networks? Please consider any specific areas of law, regulation or other policy which may need to change.

Question 66: How would investments in community energy projects (including generation and flexibility) or community buildings support the draft Warm Homes Fund aims, when could benefits be realised, and what risks need to be considered? Please give evidence to support your answer.

Community Energy

Whilst the Local Power Plan (LPP) and WHP treat generation and energy efficiency and retrofit projects separately, this division does not exist to the same extent in the community energy sector. Many community energy groups develop both generation and retrofit projects, often using profits from generation projects to fund retrofit schemes. Furthermore, many of the energy literacy, engagement and project management skills and relationships built up in generation projects are applicable to retrofit projects and vice versa. Critically, we have found working with embedded community groups key to delivering place-based retrofit to building trust with local communities.

Consequently, we see real value in drawing links between the LPP and WHP and using local community capacity, developed as a result of the LPP, to help deliver place-based retrofit projects. We would advocate funding community groups to carry out both energy generation projects, retrofit and flexibility projects.

In our experience, community energy groups struggle to secure their first capital loan. We would support community energy groups being given bridging loans to de-risk projects and increase the likelihood of them securing further finance.

Community Buildings

There is substantial unmet demand for energy efficiency upgrades and low-carbon technology in community buildings. Analysis by [Social Investment Business](#) found that of 13,000 community buildings in England, more than half fail to meet the basic EPC C standard, only 1.3% achieve the highest A+ rating, and 790 remain at the lowest G band. Community buildings in England's most deprived neighbourhoods are disproportionately less energy efficient.

This challenge is compounded by the age and condition of the building stock. A 2020 survey of village halls found that half operate from buildings over 80 years old, many requiring [urgent repair](#) and investment. In some cases, assets transferred into community ownership have quickly become financial liabilities. Many charities and community organisations also operate from leased premises, making maintenance and improvement works more complex.

While the LPP will support generation and flexibility projects, it does not fund fabric efficiency improvements. Yet investment in building fabric, renewable heating and low-carbon technologies directly affects running costs and determines whether these spaces can remain open, affordable and warm—particularly for vulnerable people in winter. Evidence shows that improved comfort and lower costs allow organisations to reopen under-used spaces, expand services, increase opening hours and generate additional income, delivering clear social, economic and environmental benefits.

Community buildings are also not protected by the price cap, and so are more exposed to the current energy price rises than domestic users. In 2022 [Acre](#) reported community buildings experiencing 300 % - 400 % bill increases during the energy crisis.

Whilst there is huge potential for fabric improvements and heating upgrades to offer emission reductions, reductions in running costs and social benefits, community buildings frequently have limited or no trading income through which they can repay a loan with very little capacity to accept financial risk.

We raise concerns about communities' ability to service debt and their willingness to take on such debts in the first place. It is critical that where retrofit measures are financed by debt, interest rates are low and bill savings are greater than the cost of servicing debt. For instance, whilst the Energy Resilience Fund is blended finance with a 40% grant, the majority loan element is charged an 8.5 % interest rate.

We would support mechanisms to aggregate loans for community buildings and therefore share risk.

Question 67: Is there a need for finance in community energy, and what are the barriers that prevent the private sector from filling it? Please also specifically consider how government financing can support building upgrades in the community sector.

Government finance is already available for the energy efficiency upgrades or the installation of low carbon technologies in community buildings in England through the [Energy resilience fund](#) but the fund is under subscribed. Most organisations either don't meet the eligibility criteria (minimum turnover of £100K, must either own the building or have min 12 years on the lease, or they are part religious organisation). The VCSE sector shows documented scepticism and distrust of loan finance, and loans may require grant subsidy to be viable and attractive to organisations owning community buildings. A community organisation we have been supporting in Bristol had to sell off land to avoid going into administration after taking on such a loan.

Micro and small organisations with a revenue of less than £100,000 make up 80% of the VCSE [sector](#) with the vast majority of them run largely by volunteers. Extending eligibility to smaller organisations would greatly increase take-up.

Question 68: How could government finance address this gap with repayable finance where government earns a return? Where possible, please describe how this model could work.

Question 69: What are the wider policy barriers that may need to be overcome to realise the benefits of community energy? Please consider any specific areas of law, regulation or other policy which may need to change.

To deliver the 8GW community energy target set out in the LPP, Government must urgently address the sector's core barrier: lack of long-term revenue certainty. Current market arrangements mean most community energy projects remain marginal or niche. The LPP seeks to capture and disseminate innovative business models but does not create a simple route to market for the community energy sector, nor revenue certainty.

Grid access, and risk profiles also remain significant barriers to the expansion of the community energy sector. As well as the promised investment in capacity building regulatory change is needed to enable local electricity sales, support shared ownership, and provide long-term revenue certainty.

Question 70: What other potential use cases are there for the Warm Homes Fund? Please provide details of how these might work, and evidence to support your suggestion.