WARM HOMES FUND: CALL FOR EVIDENCE

NATIONAL RETROFIT HUB RESPONSE

This response brings together the NRH's experience and industry insight developed over the last 3 years. It was shaped by dedicated workshops with our Board, Advisory Panel, Community and Place-Based Cross-Cutting Theme groups. Insights from the participants of these groups are referenced throughout the response. We refer to our published research, guidance and policy recommendations, including Policy Recommendations for a National Retrofit Workforce Policy, Understanding Demand for Retrofit, and Guidance for Developing a Place-Based Retrofit Strategy.

THE FEATURES OF GOVERNMENT LOANS AND EQUITY INVESTMENT

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.

The WHF sets out opportunities to invest in areas private finance deems too risky, where the returns sought by private finance are too high, or where complexity deters private finance. The fund wishes to address consumer demand by "*reducing financial barriers, simplifying the customer journey, and supporting market confidence*." Finance is one small part of a much larger picture surrounding citizen demand for retrofit. Financial products, including loans, should be designed around the most appropriate solutions for a home and its household. Our network expressed concerns that a simple loan scheme, while capable of incentivising microgeneration and energy storage, might de-prioritise repair and fabric upgrades, which bring benefits including but beyond energy bill cost savings.

For government finance to act as an enabler and gateway to unlock private finance, it must build, establish and cement the uptake of appropriate quality assurance and consumer protection regimes. The quality of installs and the risk taken by finance providers were considered a major challenge to finance in this space.

However, most of our participants felt that simply revising or diluting the Consumer Credit Act, to reduce lender liability, would be the wrong approach, and leave households with less protection than they need. Instead, the government should work with finance providers to design and implement a QA and oversight regime that can be mandated by those lending on retrofit work, providing the right level of assurance to limit the risk finance providers need to take as part of the CCA. Government finance could provide an important role in de-risking finance providers in the event of installer default; however, QA and supply chain mechanisms should also be introduced to prevent companies from folding and re-establishing under a different name.

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

The Green Finance Institute currently list 120 green mortgage and loan products on their website. However, we understand that uptake of these products is lower than banks anticipated. Demand for retrofit and decarbonisation is complex. In 2025 the National Retrofit Hub published a paper, Understanding Demand for Retrofit, which breaks down demand into 4 drivers: awareness, attitude, ability and appropriate trigger point. We explore key stats and baseline evidence on each component of demand.

In 2026, we brought together a workshop to explore how these 4 factors impact and influence citizen demand in more detail, and published a blog, National Retrofit Hub Working Group 6: Driving Uptake - Workshop. We found that:

- **Trust underpins everything:** with previous scheme failures lingering in the publics' collective memory. Limited consumer protection and a lack of meaningful engagement and involvement have led to people not knowing what to believe, feeling negatively about retrofit, not feeling comfortable committing the time or money, and ultimately not making the choice to upgrade their home.
- **The wrong questions are being asked:** a focus on EPC and carbon metrics does not appeal to many consumers; however, messages around comfort, health, cost and reliability are likely to be more effective. Current grant funding schemes prioritise targets that may not meet citizen and community needs.

- **The System is not designed around the consumer:** the landscape for consumers is fragmented, with multiple sources of advice, unclear expectations on certification and inconsistent post-installation support. Within many programmes the time and budget for meaningful engagement and involvement are also constrained, compounding disengagement and confusion.
- **Quality is a demand issue, not just a delivery issue:** poor or incomplete records of information, and confusion around the right QA mechanism for different delivery routes, undermine confidence.
- **Trigger points are being missed:** retrofit advice is not available or embedded when other works take place, or when the household changes. Opportunities to engage tradespeople, retail and DIY environments, mortgage providers, and estate agents are missed.

Our participants made it clear how important good quality, impartial and bespoke retrofit advice is in driving uptake. This advice should include information on the retrofit process, who to trust, where to seek further information. It will also need to include financial advice. In some places, local organisations already play an important role in providing this support. However, they struggle with a lack of connection, support and resources, and in most circumstances cannot provide financial advice where this relates to loans or other products.

Other factors which limit the uptake of finance products specifically include: repayment affordability, length of loans (there are often 5 years, but 15 may be more appropriate in some cases), the rate of the loan (affordable, but not too low), and the risk of relying on energy bill payback.

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

Results of our industry engagement were quite clear – loans and equity investment alone will not unlock citizen demand. These need to be provided in the context of additional system change and enablers, as described in the previous question.

An intervention the government could take, alongside these systemic changes, is to provide more standardisation across the retrofit finance space. This might mean standardisation or providing information on risk-calculation and allocation methodologies where considerations include changes in energy prices, debt recovery, opt-in rates and tenant behaviour.

Lessons should be taken from the grant and loan schemes already available in Scotland and Northern Ireland when designing schemes for the rest of the UK.

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.

Our participants felt strongly that grant schemes worked best and most equitably to support low-income homeowners. Low-income households already face significant affordability pressures, analysis by UK Parliament of ONS data finds that households on lower incomes experienced a higher-than-average inflation rate[i], as a greater proportion of their income if spent on food and fuel, which have seen above inflation price rises. Without wider systemic interventions to raise incomes for low-income households, the WHF focus must be on reducing outgoings for this group, so they see all the benefit of bill reductions, rather than some of this being used for loan repayments.

With 10% of UK households having no savings, and this proportion rising to 22% for low-income households[ii], those on lower incomes are less willing and able to take risk associated with personal finance. Grant-led models are most effective at overcoming affordability constraints and risk aversion faced by this group.

Grant schemes also allow investment in fabric upgrades, which improve the comfort and health of a home, but are harder to repay with finance, as payback margins are tighter for these types of interventions. With those in the most deprived decile living 19 years fewer healthy years than those in the least deprived decile[iii], investments in improving the health of homes for those on the lowest incomes are urgently needed to improve health equity and reduce NHS cost. JRF estimate that poverty causes excess healthcare.

Where loans must also be incorporated, those that do not require repayment until a property is sold can help overcome repayment affordability challenges. Lendology, for example, use title restrictions to ensure loans are repaid as part of a sale process. Property linked finance is another emerging model that could be used with long loan terms to ensure repayments are affordable and lower than the energy saving achieved through the retrofit.

POTENTIAL AIMS, SCOPE AND ELIGIBILITY

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

Our participants felt that the focus on 'low carbon technologies' within the draft aim did not specifically reflect how the fund would make homes 'warmer.' The aim picks winners, rather than advocating for a holistic approach where the right solutions are enabled for the right homes. While LCTs have an important role to play in decarbonising and reducing energy costs, additional interventions may be needed to ensure thermal comfort for many homes and households. The aim makes inferences between LCTs and warmth, which are not explicitly described. The aim should make a specific link between the finance proposition and how this will improve thermal comfort within the UK's homes.

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.

The fund's scope should not be an exhaustive list of measures and technologies. Instead, the scope should enable the right interventions to meet the needs of the household and home, to achieve aims like improved occupant health, lower bills, reduced emissions, and increased climate resilience. The NRH take a holistic and agnostic approach to materials and technologies, with the condition, nature and performance of the home, and occupant needs, being evaluated to uncover the right interventions.

The list provided in the consultation excludes important interventions such as repair works (which are often required prior to further measures being installed), ventilation, and climate adaptation measures such as solar shading.

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 Warm Homes Fund investment?

The Warm Homes Fund should be used exclusively to support the upgrade and decarbonisation of existing buildings, including support for associated enabling infrastructure and systems. The scale of work needed in this sector is huge. For example, the Sixth Carbon Budget requires between 50-80% of homes to have a heat pump by 2050, to reach Net Zero[iv]. Currently only 1% of homes have a heat pump[v], meaning between 12-20 million homes need to be retrofitted with a heat pump. In addition to this, other homes will need to connect to heat networks, or other decarbonised technologies. 44% of homes have an EPC of D or below, 1.4 million homes have damp and mould issues[vi], and 13% of households are unable to keep warm in the winter[vii]. Allocating some of the fund to new builds risks watering down the impact for existing buildings.

New homes should be consistently built to deliver Net Zero, and where the Future Homes Standard falls short of ensuring this, it should be improved. Net Zero alignment for new buildings should not be seen as an optional extra, for which funding can be granted or low-interest finance provided, but the norm.

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?

The Warm Homes Fund will need to consider the enabling infrastructure required to deliver retrofit at scale, both technical and relational. Schemes should be designed, and finance made flexible and responsive enough to ensure that retrofit works delivered also build a stronger retrofit system – for example, supporting skills development, application of effective QA processes, embedding local voice and community leadership.

Participants agreed that finance for repair and maintenance works that improve the energy and health performance, or where they are required to enable retrofit, should be included. However the term 'maintenance' might be too broad, requiring further explanation and refinement.

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 Enterprises (SMEs)

C) Hospitality and Retail Sector

D) Other non-domestic sectors

The cessation of PSDS (Public Sector Decarbonisation Scheme) has left a gap in funding available for public buildings. The government should note the important role that the upgrade and decarbonisation of public and community buildings can play in enabling residential retrofit. These projects can be important anchors within wider place-based retrofit strategies, helping to build local supply chains and provide important moments for citizen engagement and learning. Architects such as RAFT (Retrofit Action for Tomorrow) demonstrate how the retrofit and decarbonisation of school buildings provides an opportunity to engage children and parents in energy, heat and building health.

In Stoke on Trent, The Portland Inn Project have taken a disused pub into community ownership. The retrofit and renovation of the former pub into a community anchor building is building retrofit knowledge, skills and curiosity amongst local SMEs and residents. The building is a "demonstrator for wider neighbourhood renewal" actively showing how these types of projects can provide direct benefit to local people.

Funding should be provided to those non-domestic settings where projects help build the retrofit system, developing skills and supply chains, and can be used to demonstrate the benefits of retrofit and decarbonisation to the wider community. This might include schools, hospitals, town halls, places of worship, community hubs, and local businesses.

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?

The list of proposed groups is long, which raises concerns that schemes designed within the WHF may not be designed to meet the specific needs of different groups. Each of the groups listed has different needs, abilities and priorities. It therefore may be more effective to narrow down and prioritise groups to be supported. Prioritisation could be based on need, impact and likelihood for the group to be able to engage with repayable finance. Lessons from countries such as Ireland could be taken, where specific house types, businesses and models were prioritised first, to build capacity, develop enabling infrastructure such as data systems, and test delivery mechanisms. There may also be confusion between 'eligible groups' and 'stakeholders', some groups listed may not need to be direct recipients or beneficiaries of finance/funding, but will need to be considered as part of scheme or finance design.

Our participants identified advice providers as a critical beneficiary that should be considered by the fund. Advice providers will be essential to building demand, enabling the right works for each home, and supporting customers to access support and redress.

There is a clear need for aggregators to not only support area-based projects but also to enable energy use flexibility at a local scale. This can be provided by an ESCO, which sits between households and the DNO, and sells flexibility to the DNO. To scale up this type of aggregation, the role would require funding for capital works and infrastructure, repaid through flexibility payments. This model could also be aligned with the Local Power Plan to enable co-owned community energy and flexibility assets.

Our participants questioned whether a DNO was the appropriate body to coordinate and aggregate area-based retrofit and decarbonisation projects, with some suggesting that these organisations would require capacity building to engage meaningfully and ensure quality delivery.

Aggregators might also play a useful role in enabling small, community or voluntary organisations to engage with loans, where they may not be able to take on the admin, liability management or risk individually. Community buildings could also be included in the eligibility of area-based aggregated projects.

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

Key enabling infrastructure is required to ensure the WHF effectively supports owner-occupiers. This includes robust consumer protection and quality assurance schemes, developed and required by the finance, and good quality, local, independent and bespoke advice provision.

WHF offerings should be designed to respond to 'trigger points' in people's lives, making it easier to access finance at times they are most likely to find this work easier. This includes moments during buying and selling, remortgaging, at key maintenance intervals, during other renovations, or when children move out of the home.

Finance restrictions and evidencing need to be suitably robust to prevent fraud or mis-lending, but flexible enough to cover other enabling works, such as repointing or roof repairs, that might be required before upgrades can take place.

Clear, consistent, long-term messaging is needed on the benefits retrofit and decarbonisation can provide to a home, including on health, energy cost, reliability and house prices. Consumers need to see a clear direction of travel, so that these types of interventions move from 'early-adopter' to 'mainstream' within public perception. A more visible, long-term strategy will also prevent householders from waiting for 'a better offer' from the government, such as a new grant or a more favourable loan.

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?

In a series of reports, the NRH have explored the enablers, standards and mechanisms required to upgrade the Private Rented Sector: Raising Standards in the PRS, MEES Consultation Response, Delivering for Tenants, and Improving Health and Housing Outcomes in the PRS.

Recommendations are summarised as follows:

Improving rental affordability and security: by designing MEES to realise bill savings, designing financial solutions where costs and benefits are shared fairly between tenant and landlord, classifying grants and government-backed loans as improvements contributed by the tenant to protect them against rent increases, and providing better information and advice on tenants' rights.

Ensuring better treatment of tenants: by producing guidance on the 'ideal renovation process' to limit disruption and reducing routes through third-party consent.

Improving enforcement and compliance: with clear statutory duties for local authorities to enforce MEES, upskilled and well-resourced enforcement teams, better use of landlord databases, and improved tenant and landlord awareness.

Ensuring better quality work and effective redress: by setting MEES at a high enough standard to provide the right fabric upgrades, embedding outcomes monitoring within legislation, and providing clear redress routes for tenants.

Ensure a stable housing supply: where landlords may be incentivised to sell, enabling some PRS homes to be brought into social ownership, enabling tenants to buy their homes and supporting shared and community ownership models.

Barriers to upgrades experienced by private landlords will be overcome if both tenant and landlord have a clear understanding of what they can require and expect from one another, and are supported to effectively communicate. Tenants should not be put at risk of rent increases or evictions when works which may require an empty home are not scheduled between tenancies. Any government-backed finance should come with clear protections for tenants.

Suitable financial solutions for landlords may include low-interest or interest-free loans, heat as a service (on bills schemes), and property-linked finance, so long as the costs and benefits can be shared equitably between tenant and landlord. These are explored within our report Raising Standards in the PRS.

To ensure good outcomes for tenants, better outcomes evaluation, including remote monitoring or SMETER approaches, should be embedded into requirements for finance eligibility in the PRS. Our report Delivering for Tenants includes stakeholder feedback on the use of remote monitoring, including on how tenant data should be considered. Remote monitoring can play an important role in driving high-quality retrofit delivery, as outcomes associated with retrofit will be measured, and poor-quality installs will be identified easily.

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

Blended finance can play a critical role in enabling the aims of the Warm Homes Fund, **but only as part of a wider system redesign**. It must be carefully structured, and support place-based and cross-tenure delivery. It should also be complementary to grant funding, rather than a substitute.

33.1 How blended finance could increase deployment and reduce bills

Blended finance can accelerate the deployment of solar, batteries, and heat pumps by unlocking supply chain capacity through patient capital. This can enable investment in skills, equipment, and systems, helping to stabilise demand and reduce long-term costs while avoiding the boom-bust cycles associated with stop-start grant schemes. It also fills the 'missing middle' by bridging the gap between grants for low-income households and market finance for affluent adopters, supporting middle-income households, SMEs, landlords, and community-scale projects, and enabling multi-tenure, area-based approaches.

In addition, blended finance could enable innovative delivery models such as energy-as-a-service, neighbourhood-scale aggregation, and performance-linked financing. These can improve consumer confidence and ensure real bill reductions; when combined with proper sequencing, verified in-use performance, and lower-cost long-term capital, these approaches could deliver more reliable and sustained reductions in energy bills.

A combination of blended finance and grant funding works best when grants fund people, trust, advice, and fabric-first measures; and when blended finance supports supply chains, scaling, and delivery infrastructure. Blended finance should also fund local organisations to coordinate and convert demand. And finally, they are most effective when success is measured in equity, health, and energy outcomes, not just ROI.

33.2 Risks and unintended consequences

Blended finance introduces significant risks if poorly designed.

Risks to the Consumer include: debt aversion and low uptake, where households may not take loans even at low/zero interest; debt burden without

guaranteed savings, miss-selling and fraud; confusion between grants, loans, and obligations; low-quality installations (echoing ECO4 concerns). Finally, consumer protection frameworks like the Consumer Credit Act (Sections 56 and 75) are critical but may be weakened by political turmoil.

Threats to the retrofit system and risks to government include: fragmentation without a strong coordinating Warm Homes Agency; market distortion, as finance flows to easiest/most profitable measures rather than most needed; financialisation where the finance sector captures value instead of households; premature scaling before skills and governance are in place; and underfunding of advice and capacity, leading to low conversion rates.

Risks to industry and the energy and retrofit sectors include: tier 1 contractor dominance, squeezing SMEs, and subcontracting inflation; instability where there is a lack of long-term policy certainty; and risk of companies failing after taking deposits (historical precedent in solar sector).

Risks posed during delivery include situations where: centralised, PAS-based advice fails to convert uptake; lack of trusted, face-to-face engagement; Local authorities lack statutory retrofit roles and staffing.

When blended finance is used prematurely or narrowly, it risks deepening inequities, accelerating suboptimal or poorly sequenced measures, locking in fragile, finance-led delivery models.

Overall, blended finance cannot compensate for missing local delivery infrastructure. There is strong evidence that supports a regional, place-based approach, as national finance vehicles are often too distant from local conditions, so the Warm Homes Fund should capitalise regional funds, with tiered SPV structures, to better align with local contexts, integrate delivery ecosystems, reduce fragmentation, and attract investment while managing risk.

33.3 Place-Based Blended Finance

Our work has explored how blended finance can support place-based delivery. We also highlight how taking a place-based approach to retrofit can build strong, local retrofit systems and deliver effectively on the needs of local communities and citizens.

Our report, Understanding Place Based Retrofit sets out the case for place-based and includes consensus-informed definitions. Place-Based Retrofit in Practice provides guidance on the process and components of a place-based approach, including finance. It includes details of case studies where this work is already being applied effectively. The report provides information on blended

financial approaches, including Bioregional finance, Net Zero Neighbourhoods, Impact Investing and the use of Carbon Credits.

We feature London Councils, who have a Net Zero Neighbourhoods programme to integrate different funding mechanisms and create long-term sustainability. A case study for Wolfhagen in Germany also details an approach where a municipally linked energy company partnered with a citizen-led cooperative to co-own and govern local energy infrastructure with revenue used to support energy efficiency measures in residents' homes.

The report also includes information on the effective evaluation of place-based schemes, which could be used to design effective blended finance schemes and requirements.

The flexibility aggregator model discussed in question 12 could play a useful financial component in a blended finance stack, linking to LEAP (Local Area Energy Plan) flexibility and demand management needs.

Lessons should also be taken from the Scotland Area Based Schemes, and how these interacted and complemented with other retrofit and decarbonisation programmes in Scotland.

33.4 Who should be eligible?

Blended finance vehicles should target actors that enable system-wide scale, not just individual consumers. Eligible groups are likely to include: Supply chain businesses including installers, manufacturers, and retrofit coordinators; Local delivery organisations including local authorities, community retrofit and energy groups, social enterprises; Aggregators and intermediaries such as retrofit programme managers, energy service companies; Landlords and SMEs, especially private rented sector with policy alignment. Consumer access should be optional and clearly communicated, supported by independent advice, designed to avoid debt dependency.

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.

There can be several actors in this space, including combined, strategic and local authorities, DNOs, those driving RESPs and the future Warm Homes Agency. Clarity is needed on who can and should be the decision maker,

bringing together finance, and how they can effectively collaborate. Capacity building will be needed for less resourced local authorities, who are further behind on the route to devolution, to ensure all areas of the UK can engage with this approach effectively.

Some participants raised an issue with how the Treasury Green Book prices future gas at an unrealistically low price, which creates challenges in assessing the economic benefit of electrification, energy efficiency and demand management projects.

For the benefits of blended finance models to be truly realised, procurement models used need to be set up to deliver benefits of retrofit and decarbonisation beyond energy efficiency and reduced emissions. This includes investing in local skills, building local supply chains and delivering health benefits – all of which should be able to be quantified and financed through these approaches.

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.

In 2025, the NRH published Policy Recommendations for a National Retrofit Workforce Strategy, drawn from a holistic systems review of the retrofit skills sector, including systems mapping, literature review, extensive sector convening, and six task and finish groups bringing together industry experts on topics from Qualification roles & pathways to Procurement. The report recommends ten policy priorities to help secure the skills workforce needed to deliver retrofit and decarbonisation at scale:

1. A National Retrofit Workforce Strategy to drive delivery - National leadership and coordination to align workforce development with a long-term, government-backed National Retrofit Strategy.

2. Clear, consistent policy direction to build confidence and unlock investment - A visible 10-year government commitment to stimulate demand, provide market certainty, and give businesses the confidence to invest in people, skills, and supply chains.

3. Defined skills pathways and high-quality training provision - Clear routes into a wide range of retrofit roles, with nationally consistent standards and mandatory training to build competence and confidence in delivery.

4. Reformed funding models to drive skills via public sector procurement - Embed skills mandates into all publicly procured work, reform programme models, and equip grant recipients with the skills and capacity to deliver local and regional retrofit skills initiatives.

5. A competent workforce delivering better quality outcomes - Mandatory skills and quality requirements in all publicly funded retrofit work, with improved inspection and enforcement, ending subcontracting models that undermine investment in people and quality delivery.

6. Targeted public investment to expand training capacity and support a diversity of workers - Long-term funding to grow training provision, develop new courses and qualifications, including soft skills such as resident engagement, and train the trainers to scale up learning across the UK.

7. Reformed apprenticeships with clear retrofit pathways - Updated apprenticeship standards that reflect retrofit needs, with better employer support, hands-on learning opportunities, shared apprenticeship schemes, and incentives to help SMEs bring new talent into the sector.

8. A national awareness campaign for retrofit careers - A high-profile campaign to promote retrofit as a rewarding, secure career—raising awareness of the social, economic, and environmental benefits, and encouraging more people to get involved.

9. Creating the conditions to attract a diverse workforce - By promoting equity and access to training, the sector becomes more appealing and representative of varied communities. This diversity drives innovation, creates more welcoming work environments, and boosts overall productivity across retrofit projects.

10. Support for SMEs and microbusinesses to build capacity and access contracts - Practical support to help SMEs navigate standards, build business resilience, and participate in both publicly funded and private retrofit markets.

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.

Investments in community energy (including generation and flexibility) and community buildings can significantly support the Warm Homes Fund by accelerating low-carbon technology deployment, lowering energy bills, and building trusted local delivery capacity.

Benefits can be realised quickly in areas with existing infrastructure and organisations, while scaling more widely over time; however, achieving this at scale requires careful management of risks around capacity, coordination, equity, and delivery.

1. How it could increase solar, battery and heat pump deployment into domestic, community, and small business settings and reduced energy bills for consumers

Community energy models can increase deployment of solar PV, battery storage, and heat pumps through demand aggregation, shared investment, and the use of community buildings, such as community halls, schools, and libraries, as anchor assets for neighbourhood systems. Local storage and flexibility can optimise energy use, which increases self-consumption and reduces reliance on expensive grid electricity. Trusted community organisations can help overcome hesitancy around retrofit and heat pump adoption. These approaches can lower costs through bulk purchasing, reduce operating costs, and unlock additional revenue through flexibility markets.

The impact on energy bills includes direct savings from cheaper locally generated electricity, improved resilience to price volatility, and reinvestment of surplus revenues into further energy improvements. This was also explored in question 33, during the Wolfhagen municipal-community owned energy infrastructure model. This is particularly important given that over 50% of approximately 13,000 community buildings in England are below EPC C and a proportion of those are located in more deprived areas with limited financial capacity. Upgrading these buildings can reduce running costs for essential services, create visible retrofit demonstrators, and provide local hubs for advice, engagement, installer coordination, and skills development.

2. When could benefits be realised?

Short-term:

- *Rapid deployment* in areas with existing community energy groups and active buildings
- *Immediate bill savings* for participating organisations and households
- *Increased public confidence* through visible, local examples
- *Early participation in flexibility markets* (e.g. via aggregators)

Medium-term:

- *Development of stable local delivery ecosystems*, including: Trained retrofit professionals, including assessors, coordinators, etc.; community energy roles; Local supply chains.
- *Scaling of neighbourhood-level systems* (solar + storage + heat pumps)
- *Improved quality of retrofit advice* through the development of local advice networks and structures such as One Stop Shop approaches

Long-term:

- *Fully integrated Smart Local Energy Systems (SLES) delivering*: system-level optimisation of local generation, demand, and storage; deep emissions reductions; sustained reductions in energy costs and improved energy security.

3. Role and impact of Smart Local Energy Systems (SLES)

Smart Local Energy Systems (SLES) can be particularly impactful in areas with a high density of suitable assets, such as neighbourhoods with clusters of homes, SMEs, and community buildings, where shared infrastructure can reduce costs and improve overall system efficiency. They are also effective in places facing grid constraints or high energy costs, as local balancing and flexibility can reduce pressure on distribution networks and help avoid or delay expensive grid upgrades. SLES work best where there is strong local organisational capacity, including active community energy groups or local authorities able to coordinate activity.

They also offer distinct advantages in rural or semi-rural areas, where community buildings like schools can act as energy hubs and reliance on costly or constrained grid connections can be reduced. Evidence of success can

already be seen in areas where community energy organisations participate in flexibility markets via aggregators, local solar-plus-battery schemes supply nearby users, and integrated retrofit and energy advice services are delivered through local hubs.

4. Risks and unintended consequences

Many community groups face capacity constraints, including limited technical expertise in retrofit design and energy modelling, weak governance structures for managing larger capital projects, and a shortage of skilled roles, largely due to insufficient revenue funding. This is compounded by geographic inequality, where better-resourced areas benefit first while more deprived communities risk being left behind, highlighting the need for targeted support, grant funding, and proactive local capacity building.

At a system level, fragmentation and complexity across funding streams can create confusion, duplication, and delivery bottlenecks, particularly for under-resourced local authorities, while many projects struggle with financial viability due to low or uncertain income, risk aversion, and inability to service debt. This is especially true for measures with primarily social rather than financial returns, requiring clearer alignment of programmes, long-term policy stability, and blended or aggregated financing models that recognise the need for subsidy in some cases.

Finally, risks to consumer trust and technical performance remain significant, including inconsistent advice, poor-quality installations, system underperformance, and grid integration challenges; these issues can be mitigated through strong quality assurance frameworks, standardised delivery models, robust design standards, and greater emphasis on system-level planning that integrates storage, flexibility, and long-term performance.

5. Key enabling actions

To maximise impact, the Warm Homes Fund should support community buildings as anchor assets through grant funding for appropriate retrofit and clean heat, while also investing in local capacity building across skills, governance, and technical expertise.

It should establish a national framework (such as the One Stop Shop models) to ensure consistency and quality, align funding streams such as WHF, GBE, and local authority funding to reduce fragmentation, and enable local supply

models through policy changes that allow the local sale of power from community assets.

In addition, it should support the development of Smart Local Energy Systems (SLES), particularly in areas with strong potential for integrated, place-based energy solutions.

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.

1. Is there a need for finance in community energy?

There is a clear and persistent need for appropriately structured finance across both community energy projects and community building retrofit, but the nature of the need is nuanced.

Community energy generation projects (e.g. solar, storage) can often raise capital where there is a viable business model, particularly through community shares or blended finance.

However, *there remains a gap for early-stage development finance*, project aggregation, and risk mitigation.

Community building retrofit represents a much more acute financing gap, with many projects lacking a viable commercial return

A defining feature across both areas is that community organisations typically possess high levels of trust and local legitimacy, but weak balance sheets, limited collateral, and constrained revenue streams. This creates a structural mismatch with conventional finance.

2. Why private finance does not currently fill the gap

Private finance is available in principle but does not flow into community energy and retrofit at scale due to a combination of structural barriers. Projects are often small, bespoke, and complex, creating high transaction costs relative to their value, while organisations typically lack standard credit

characteristics such as collateral or predictable revenues. Business models are often weak or uncertain, particularly where returns are low or difficult to capture, and policy and regulatory uncertainty further increases perceived risk. In addition, fragmentation and lack of standardisation make projects harder for investors to assess, and concerns about alignment, particularly ensuring investment is non-extractive, can limit engagement between private capital and community-led initiatives.

3. The role of government finance

Government intervention is essential, not to replace private finance but, to enable and de-risk it by shaping markets so capital can flow effectively into community energy and retrofit. This includes providing grant funding, particularly for community buildings and measures with high social value but limited financial return, such as fabric retrofit, heat decarbonisation, and enabling/repair works, where organisations often cannot take on debt. Given that over half of community buildings are below EPC C and many are located in more deprived areas, this support is critical to avoid widening inequalities.

Alongside this, concessional and blended finance (combining grants, community capital, and private investment), as well as revenue support mechanisms, can help bridge the gap between commercial requirements and community realities, while dedicated development funding is needed to cover early-stage feasibility, business modelling, and legal or technical structuring so projects reach investment readiness.

Beyond this, government has a key role in enabling investable scale and reducing risk by aggregating smaller projects into portfolios, standardising contracts and delivery models, and lowering transaction costs, particularly for community building retrofit and neighbourhood-scale energy systems. Guarantees and risk-sharing mechanisms can further crowd in private and institutional capital by addressing weak collateral and perceived risk, especially for community energy assets with stable revenue streams. In parallel, targeted support for community shares and local ownership through matched equity schemes, clear ownership and revenue frameworks, and strong governance structures can build investor confidence and ensure these models are robust, scalable, and aligned with long-term community benefit.

4. Specific considerations for community building upgrades

Community building retrofit requires a distinct financing approach, prioritising grant-based funding for fabric and heat upgrades, alongside blended and aggregated models that enable cross-subsidy and risk-sharing, and support for enabling works, otherwise investment will remain limited to “easy wins” and leave most buildings unimproved.

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.

Government can address the financing gap for community energy by deploying patient, repayable capital that accepts longer time scales and lower returns than commercial investors, while still generating a modest public return. Public finance could be used to crowd in activity where markets fall are not active, particularly due to small project size, perceived risk, or long payback periods. For example, a revolving fund could provide loans (alongside targeted grants where needed) to community organisations, with repayments funded through energy savings or project revenues and then recycled into new projects. This approach could create a sustainable funding pool, reduces dependence on one-off subsidies, and aligns public investment with long-term decarbonisation and demand reduction goals.

More sophisticated structures could include blended finance vehicles, where government capital takes a risk-absorbing proportion, enabling private investors to participate in senior positions with lower risk. In this model, government still earns a return through interest or revenue share but its role is to unlock projects that would not otherwise proceed.

Design principles are critical to ensure effectiveness and fairness. Government finance should operate on patient timelines (10–25 years) to match project lifespans, prioritise affordability and equity so community groups are not overburdened, and include a strong support wrapper; technical advice, standardised contracts, and monitoring to reduce delivery risk.

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.

A key barrier is the fragmentation of policy across programmes and institutions, which limits the ability of community energy (CE) to scale and deliver system-wide benefits. Initiatives such as Warm Homes, Local Power, and Great British Energy (GBE) are not yet sufficiently aligned, leading to inconsistent objectives, duplication, and missed opportunities for collaboration. There is a need to establish shared outcomes and stronger coordination across government, with community energy recognised as a delivery partner rather than an add-on. This should include a clearer strategic role for CE in delivering energy efficiency, demand reduction, and local clean generation, alongside policies such as a "One Stop Shop" model for retrofit that integrates community organisations into the delivery framework.

Procurement practices and market regulations also create structural barriers. Public procurement still tends to favour large Tier 1 contractors, effectively excluding smaller, community-led organisations. Addressing this requires smaller contract lots, meaningful social value weighting, and stronger enforcement of those criteria to enable fair participation. At the same time, grid and energy market rules are designed around large-scale actors, limiting community access to flexibility markets and system services. More proportionate, accessible routes into these markets are needed, alongside reforms to enable local electricity trading such as further development of Licence Exempt Supply arrangements and reforms like P441 and P442 to make community-led supply models viable across different building types. In parallel, the absence of a simple legal framework for rooftop solar and consistent technical and quality standards for installation and performance adds further friction to deployment.

Finally, there are issues around policy stability, legal frameworks, and recognition of community organisations. Frequent policy changes, such as the withdrawal of Feed-in Tariffs, have historically undermined investor and community confidence, highlighting the need for stable, multi-year support frameworks. Community energy groups are often treated as peripheral rather than central actors, despite their ability to mobilise local investment and trust; this must change through explicit recognition of their intermediary role in policy and regulation. Enabling measures could include expanding community shares (e.g. raising the £100,000 cap and aligning GBE co-investment), creating

clearer legal pathways for shared ownership models, and embedding CE in long-term energy system planning. Together, these changes would help overcome market failures, unlock local capital, and ensure community energy can contribute fully to affordability, resilience, and decarbonisation goals.

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.

The design of funding and finance for retrofit ultimately influences how supply chains grow and develop. When designing new schemes, we must learn from the well-documented issues with ECO, where scheme design led to lowest-cost delivery, poor oversight, low compliance, a focus on 'outputs' rather than 'outcomes', low awareness, and ultimately poor-quality installation.

Finance for retrofit cannot focus on the delivery of direct benefits, such as energy efficiency and reduced emissions, alone. It also must build the enabling infrastructure, such as advice provision and appropriate consumer protection, and indirect benefits, such as good quality jobs and skills, to strengthen and grow the retrofit system we need for the future.

Offers design as part of the WHF should embed requirements around quality control, outcomes monitoring, skills development through procurement, support for local SMEs, and community involvement.

The role of advice providers, aggregators, retrofit facilitation providers, intermediaries and one-stop shops should be well understood and embedded into the finance models that are created, as these actors play an important role in driving uptake, providing advice, ensuring quality and building trust.

Government finance and funding must support, encourage and grow best-practice delivery, so that the supply chain developed in response to finance is suitably resilient, robust and able to deliver for all.

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