

## Call for evidence: Warm Homes Fund

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June 2026

The UK Green Building Council represents the voice of the UK's sustainable built environment industry. We are a charity powered by more than 600 members from banks, large estate owners, housebuilders, and manufacturers to innovative startups, universities, local councils and government departments - all working to transform the built environment in the face of the climate, nature and cost-of-living crises.

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The Warm Homes Fund represents a critical opportunity to move beyond short-term, stop start interventions and instead lay the foundations for a long-term, investible retrofit market capable of delivering warmer homes, lower bills and meaningful progress towards the UK's climate goals. To succeed, the Fund must be designed not only as a mechanism for distributing capital, but as strategic infrastructure that enables local authorities, communities and market actors to plan, coordinate and deliver retrofit at scale.

UKGBC welcomes the opportunity to feed into this Call for Evidence and the breadth of issues it seeks to address across retrofit delivery, local government capability, community energy, and emerging service-based energy models. The UK's retrofit challenge is not simply one of technology or consumer demand, but of finance, governance and delivery architecture. The current system is fragmented, administratively burdensome and unable to provide the long-term certainty required for supply chains, investors and local partners to grow. We therefore welcome the Fund's focus on repayable finance, area-based approaches, and the role of energy-as-a-service models – all of which have the potential to unlock new pathways for investment and accelerate the transition to a resilient, low-carbon housing stock.

In this response, we call for a Warm Homes Fund that enables long-term, place-based retrofit delivery by strengthening local government capability, unlocking new service-based energy models, and supporting community-led energy and building upgrades.

## Section 2C: Local government

### **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.**

Yes. Area-based investment funds are highly aligned with the Warm Homes Fund aims because they match the way retrofit is most effectively delivered in practice: at the neighbourhood scale. Coordinated, area-based programmes enable local authorities to target the worst-performing homes, integrate fabric and heating upgrades, and align retrofit with health, fuel poverty and local energy planning. Area-based funds would give councils and combined authorities a structured vehicle to plan multi-year programmes, aggregate demand, and create predictable pipelines of work for local supply chains. Benefits, such as improved home energy performance, reduced bills, and stronger local economies, could be realised within the first funding cycle, with compounding impact over 5-10 years as programmes scale and mature.

The main risks are poorly designed funds which could create a patchwork of overlapping schemes, widen regional disparities, or overload under-resourced authorities. There is also a risk that area-based funds focus on 'easy wins' rather than the hardest-to-treat homes or most vulnerable households. To mitigate this, funds should be underpinned by clear national outcomes, robust targeting criteria, and support for local capacity building. Evidence suggests that where area-based approaches are well-governed and long-term, they deliver more coherent, scalable and socially-just outcomes than purely individual, demand-led schemes.

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

There is a clear need for dedicated finance for area-based retrofit, but the private sector alone cannot fill this gap. Area-based programmes often target low-income households, mixed-tenure streets and hard-to-treat homes where payback is uncertain and returns are diffuse (health, comfort, local economic benefits rather than pure energy savings). These characteristics can make them unattractive to conventional private finance, which typically seeks clear, asset-backed revenue streams at project or building level.

It is harder for private investors to price risk where outcomes depend on household behaviour, local authority capacity and evolving policy. In addition, many of the benefits of area-based retrofit – such as reduced NHS costs, improved productivity, local job creation – are public goods, not direct return cashflows. This means the social return is high, but the private financial return is insufficient without public intervention. Public finance is therefore needed to structure, de-risk and crowd in private capital, rather than expecting the market to deliver unaided.

### **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.**

The main policy barriers are fragmentation, misaligned incentives and rigid frameworks that were not designed for place-based retrofit. At a national level, retrofit, fuel poverty, housing, health and local growth funding streams are often siloed, making it difficult to blend them into coherent local investment funds. Local authorities face procurement rules that favour large incumbents over local SMEs, limiting the ability of funds to build local supply chains. Regulatory uncertainty around minimum energy standards, tenure, rent setting, and consumer protection, also makes it harder to design long-term, investible programmes.

To unlock the full benefits of local investment funds, government will need to:

- provide a stable, multi-year policy framework for retrofit and housing standards
- enable more flexible, outcome-based use of public funding at local level
- reform procurement to allow smaller lots, social value weighting and partnership-based delivery
- clarify how local investment funds can blend capital from different departments and agencies without excessive administrative burden.

There is also a need for clearer guidance on data sharing, performance measurement and the use of tools like SMETER to underpin repayment models and risk assessment. Without addressing these systemic barriers, local investment funds risk becoming another layer of complexity rather than a catalyst for coherent, area-based retrofit.

## Section 2D: Energy market participants

*Our answers to this section are aligned with the more detailed response developed by the Heat-as-a-Service Strategy Group, of which UKGBC is a member.*

### **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?**

EaaS models strongly support the aims of the Warm Homes Fund by reducing upfront costs, accelerating deployment of heat pumps, solar, batteries and smart controls, and enabling more stable bills and improved home performance. They also create system-level benefits by integrating households into flexible, digitally-enabled energy networks. The earliest benefits are likely in portfolio-based settings, such as social housing, managed blocks, PRS portfolios, and local authority programmes, where scale, aggregation and coordinated deployment are achievable.

Key risks include consumer mistrust of a new system, unclear asset ownership, redress mechanisms, provider failure, data privacy concerns, and the possibility of market concentration or lock-in - all of which will need to be addressed as part of a government strategy. Accuracy of predicted savings is another challenge, highlighting the importance

of real-world performance measurement (e.g., SMETER). Ultimately, the main barrier is not technology cost but the absence of a coherent enabling ecosystem. Scaling EaaS requires aligned regulation, consumer protections, interoperability standards, local authority capability and stable long-term policy signals – all of which are very much aligned with the necessary drivers of effective delivery of the Warm Homes Plan.

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

Finance is essential to grow EaaS because the market is not yet investible at scale. Revenue streams remain uncertain due to fluctuating energy prices, variable household behaviour, asset performance, and unproven flexibility revenues. Government-backed finance can de-risk early models, support aggregation, and create long-term service-based revenue structures that attract institutional capital. Blended finance, junior debt, and portfolio-level vehicles - similar to the Heat Network Catalytic Fund - could crowd in private investment while avoiding long-term market distortion.

Early deployment should focus on social housing and the PRS, where landlords face regulatory pressure but lack capital and clear routes to upgrade. WHF could also support 'starter' EaaS offers, in the form of low-risk subscription packages (e.g. plug-in solar or batteries) that build consumer trust before progressing to heat pumps. These models could particularly benefit the 'missing middle' who are not eligible for grants but cannot self-fund upgrades. Consumer acceptance will depend on trust, perceived control, predictable costs and clear value, all of which will require structured market testing.

**Question 42 | How could government finance address this gap for energy as a service models, with repayable finance where government earns a return?**

Government can use WHF capital as catalytic transition finance, not just household loans. By providing junior debt, guarantees or first-loss capital within aggregated portfolio vehicles, WHF can de-risk early EaaS models and create investable asset pools across social housing, PRS portfolios and local authority programmes. Repayments could come from service subscriptions, landlord contributions, verified savings, solar export and flexibility revenues.

Returns should be tied to clear additionality, supporting activity that would not otherwise occur, such as early-stage model development, performance measurement, standardisation and portfolio aggregation. WHF-backed finance should help establish a new asset class around distributed energy services, reduce long-term system costs and accelerate electrification. Government must also clarify whether WHF's role is market creation, social protection, infrastructure transition or flexibility aggregation, as each requires different governance and risk-sharing structures.

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

There is a role for government equity investment, but it should be targeted and strategic. Equity could support companies developing essential market infrastructure where private

capital is not yet ready to invest, such as interoperability platforms, home energy management systems, SMETER-enabled performance models, or consumer-protected service propositions for social housing and the PRS. Equity can also safeguard public interests around data governance, interoperability and consumer protection.

However, equity carries risks: distorting competition, entrenching incumbents or backing unsuitable business models. Any investment should therefore meet strict additionality tests, include clear conditions (e.g. open standards, consumer safeguards), and form part of a broader market-building strategy rather than a substitute for regulatory reform.

**Question 44 | What wider policy barriers may need to be overcome to realise the benefits from energy as a service models?**

The main barriers to EaaS are regulatory and structural rather than financial. Current frameworks across energy regulation, consumer credit, housing law, data protection and switching are not designed for service-based models that combine energy supply, finance, asset ownership and digital services. Government must clarify the regulatory status of EaaS providers, strengthen consumer protections, and establish rules for switching, contract transparency, redress and provider-of-last-resort arrangements.

Interoperability and data infrastructure are foundational: EaaS depends on smart controls, heat pumps, batteries and flexibility platforms working seamlessly. Government should support common standards, secure data governance and SMETER-enabled performance measurement. Tenure-specific barriers must also be addressed, including comfort charges in social housing, PRS landlord-tenant split incentives, and asset transfer rules for owner-occupiers. Finally, consumer behaviour and trust remain critical; structured market testing is needed to understand perceptions of ownership, automation, service relationships and long-term acceptability.

## **Section 2G: Community energy and buildings**

**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.**

Investing in community energy and community buildings can strongly support the Warm Homes Fund by improving the energy performance of thousands of under-performing community assets and enabling local engagement in the transition. Over half of England's 13,000 community buildings fall below EPC C, with many in deprived areas lacking the capital, capacity or risk appetite to undertake retrofit. Grant-based support is essential for these organisations, which typically cannot take on debt. Targeted investment would unlock heat decarbonisation, fabric upgrades, and solar deployment, while enabling community buildings to act as visible, trusted exemplars of retrofit and flexibility technologies for local residents.

Benefits could be realised quickly if funding is aligned with Local Authorities, Combined Authorities and existing GBE programmes, avoiding fragmented schemes. Key enablers include building local capacity (energy auditors, retrofit managers, OSS-style support), improving quality assurance, and enabling blended funding for neighbourhood-scale solutions. Risks include over-complex funding landscapes, limited organisational capacity, and the absence of viable business models for smaller sites. Strategic opportunities include aggregated loan portfolios, community-led flexibility services, and expanding the scope to schools and rural buildings.

**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.**

There is a clear need for finance in community energy, but the barriers preventing private investment are structural rather than purely financial. Community groups struggle with credit checks, risk ownership, volunteer-led governance and the inability to collateralise assets. Many projects - especially community building retrofit - lack a commercial return, meaning private finance cannot fill the gap.

For community building retrofit specifically, the real challenges are the absence of legal frameworks, enabling-works funding, and viable business models for small, mixed-use or short-lease buildings. Low export rates, uncertain energy prices and short leases further deter private lenders. Government support should therefore focus on de-risking early projects, enabling One Stop Shop models for community retrofit, and supporting blended neighbourhood-level solutions that integrate generation, demand reduction and flexibility.

**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 by providing patient, repayable capital that de-risks early projects and earns a modest long-term return. Models could include a revolving loan fund, blended finance vehicles where government takes a risk-absorbing tranche, or on-bill/on-meter repayment mechanisms that create stable cashflows. These structures would allow community organisations to undertake retrofit and energy upgrades without relying on commercial debt, while enabling government to recycle capital over time.

To be effective, government finance must follow clear principles: long repayment timelines (10-25 years), affordability for community organisations, and strong wrap-around support (templates, technical advice, monitoring). Government should focus on activities that address market failures, such as reducing energy demand to support system decarbonisation, closing the affordability gap for community buildings, and enabling projects that would not otherwise proceed. Private finance can then support mature, revenue-generating assets once risks are reduced.

**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.**

The main barriers to scaling community energy are policy fragmentation, regulatory misalignment and procurement practices that favour large incumbents. Warm Homes, Local Power, GBE and other programmes are not coordinated, creating confusion and missed opportunities for community-led retrofit. A stable, multi-year framework is needed to rebuild confidence after past policy volatility. Procurement rules should enable smaller lots, enforce social value, and recognise community organisations as legitimate delivery partners for retrofit and local energy services.

Regulatory barriers include grid and market rules that favour large players, limited routes for community participation in flexibility markets, and the absence of simple legal frameworks for rooftop solar. Local electricity trading reforms (P441, P442, licence-exempt supply) must progress to make community-owned generation viable for challenging building types. Expanding community shares (including lifting the £100k cap) and supporting community-led One Stop Shop retrofit programmes would strengthen the sector. Clear standards for installation, performance and assurance are also essential to ensure quality outcomes in community building retrofit.