



Warm Homes Fund Call for Evidence

G15 response

June 2026



About the G15

The G15 is made up of London's leading housing associations. The G15's members provide more than 880,000 homes across the country, including around one in ten homes for Londoners. The G15 represents the largest providers of new affordable homes in London and accounts for approximately 15% of all affordable homes built across England. Over the last few years, our members have funded and delivered more than 56,000 new homes in partnership with the Mayor of London. Delivering good quality safe homes for our residents is our number one priority. Last year our members invested almost £2bn in improvement works and repairs to people's homes, ensuring people can live well.

Together, we are the largest providers of new affordable homes in London and a significant proportion of all affordable homes across England. It's what we were set up to do and what we're committed to achieving. We are independent, charitable organisations and all the money we make is reinvested in building more affordable homes and delivering services for our residents.

Find out more and see our latest updates on our website: www.g15.london

The G15 members are:

- A2Dominion
- Clarion Housing Group
- The Guinness Partnership
- Hyde
- L&Q
- MTVH
- Sovereign Network Group
- Notting Hill Genesis
- Peabody
- Riverside
- Southern Housing

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Position statement

Warm, healthy and affordable homes are fundamental to tackling fuel poverty, improving health outcomes and supporting the transition to net zero. G15 members are committed to delivering these outcomes and have already made significant progress, with more than 75% of G15 homes now at EPC C or above.

We welcome the Warm Homes Plan and the government's commitment to invest around £5bn in support for low-income households to 2030, alongside investment through the Warm Homes: Social Housing Fund. This funding represents an important opportunity to accelerate retrofit, reduce energy bills and improve living conditions for residents.

However, achieving the scale and pace of retrofit will only be possible if funding frameworks reflect the operational realities of delivering retrofit across large and complex social housing portfolios.

The sector now has much greater clarity on the direction of travel through minimum energy efficiency standards (MEES) and the Warm Homes Plan. The primary challenges are now practical delivery constraints, including financial headroom, supply chain capacity, regulatory complexity and the design of funding programmes.

There is also a risk that the current Warm Homes Fund, as set out, attempts to deliver too many objectives simultaneously through a fragmented set of financing models. The immediate priority should be accelerating practical retrofit delivery for households most exposed to fuel poverty. Therefore, funding frameworks should focus on supporting large-scale, deliverable improvements to existing homes, particularly for lower-income households and harder-to-treat urban homes, where the social and affordability benefits are greatest.

This requires long-term and flexible funding, realistic grant levels, proportionate compliance requirements and sustained investment in skills and supply chain capacity. It also requires a stronger focus on measures that deliver meaningful improvements in resident comfort, affordability and energy performance, rather than overly complex funding structures or compliance-driven activity that may deliver limited real-world benefit.

Long-term certainty and flexibility are essential

Short funding cycles and annual spend requirements undermine strategic planning, increase delivery costs and reduce value for money. Retrofit requires long-term programme planning, stable supply chains and sustained investment in skills and capacity.

Government should move toward multi-year funding settlements of at least five to ten years, with flexibility to align spending to practical delivery timelines rather than rigid annual deadlines.

Funding should also become more delivery led and less administratively rigid. Current processes require excessive upfront detail, repeated change requests and intensive

monthly reporting, despite retrofit delivery being inherently iterative and responsive to resident needs and property condition.

Funding frameworks must support value for money

A significant proportion of social homes, particularly in London, are harder and more expensive to retrofit due to building form, mixed tenure arrangements, planning constraints and building safety requirements.

In many cases, substantial expenditure may still deliver only marginal improvements in energy performance or resident bills. Funding frameworks should therefore support proportionate, evidence-based decisions about cost effectiveness and practical deliverability.

The sector needs:

- proportionate operation of spend exemptions
- flexibility where measures deliver limited real-world benefit
- recognition of the additional complexity associated with high rise and flatted homes

Without this, there is a risk that scarce resource capital is diverted toward high cost, low impact interventions at the expense of other, more impactful activity such as new social housing supply, building safety investment and wider asset quality priorities.

PAS and assurance requirements need to become more proportionate

Quality assurance is important, but the current PAS2035 process is creating significant cost and delivery pressures.

PAS2035 was introduced to address a genuine problem identified through the Each Home Counts review, which found that poorly designed retrofit measures delivered in isolation could lead to unintended consequences such as damp, mould and condensation. The whole-house approach has played an important role in improving quality and reducing these risks, particularly for more complex retrofit projects.

However, the same level of process and assurance is not always proportionate for every measure or every home. Members are reporting increasing resident refusals linked to the number of surveys, inspections and delays involved in current retrofit delivery models. PAS compliance and associated certification costs can also absorb a disproportionate share of available funding before improvement works begin.

The Warm Homes Plan itself recognises the challenges associated with whole-house retrofit and signals a growing role for technologies such as solar PV, batteries and other lower-disruption interventions. Funding frameworks should therefore take a more proportionate approach to assurance requirements, particularly for straightforward measures delivered through established investment programmes.

This would improve delivery efficiency, reduce resident disruption, make better use of available funding and increase the number of homes that can benefit from retrofit investment.

Skills, supply chain and delivery capacity are now critical constraints

The sector faces severe shortages across retrofit assessors, designers and PAS professionals, alongside wider supply chain pressures and increasing geopolitical volatility affecting materials and technologies.

Long term funding certainty is essential if the market is to invest in recruitment, training and manufacturing capacity at the scale required.

Government should ensure that the Warm Homes Fund supports not only capital investment in homes, but also the wider delivery infrastructure needed to make large scale retrofit viable.

Retrofit policy must remain grounded in resident outcomes

The success of the Warm Homes Plan should ultimately be measured by whether residents live in homes that are warmer, healthier and more affordable to run.

Funding and compliance frameworks should prioritise measures that deliver meaningful improvements in these areas rather than focusing narrowly on compliance metrics or theoretical modelled performance.

This is particularly important in higher-rise and mixed-tenure buildings, where delivering retrofit often involves complex ownership arrangements, leaseholder consultation and significant costs. Future funding frameworks should support whole-building improvements while ensuring leaseholders are not exposed to disproportionate costs for measures that deliver limited benefit.

A successful Warm Homes Fund will therefore need to balance decarbonisation ambition with affordability, practical delivery and long-term value for residents and the wider housing system.

Section 1: Warm Homes Fund strategic case, aims and scope

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

We broadly agree with the assessment of the opportunities and challenges presented by warm homes financial transactions. There is a significant opportunity to accelerate retrofit, reduce fuel poverty and improve the energy performance of homes while leveraging private capital and supporting wider decarbonisation objectives.

Social landlords are particularly well placed to support delivery at scale. Housing associations are long-term stewards of homes and communities, with established asset management programmes, experience of delivering major works and direct relationships with residents. This provides an opportunity to deliver improvements efficiently and to realise wider social benefits through lower energy bills, improved health outcomes and increased resident comfort.

However, the success of any financial transaction model will depend on whether it reflects the realities of retrofit delivery. While repayable finance may be appropriate in some circumstances, many retrofit measures do not generate financial returns sufficient to support commercial lending alone, particularly in lower-income communities, higher-rise buildings and harder-to-treat homes.

There is also a risk that overly complex financing structures increase administrative burden without addressing the key barriers to delivery. The primary constraints facing the sector are financial headroom, supply chain capacity, workforce availability, regulatory complexity and the costs associated with delivery and compliance.

To be effective, funding structures should prioritise simplicity, flexibility and long-term certainty. This includes multi-year funding settlements, realistic grant rates, flexibility to adapt programmes as homes and resident needs change, and funding models that support portfolio-scale delivery rather than individual project-by-project bidding processes.

Where government is seeking a financial return, repayable finance should complement rather than replace grant funding. Blended approaches may be appropriate in some circumstances, but grant support will continue to be necessary where social value and fuel poverty reduction are the primary outcomes being delivered.

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

There is strong evidence from the social housing sector that uptake of green finance is constrained by a combination of financial, operational, technical and policy-related factors.

A major barrier is limited financial headroom and competing investment priorities. Housing associations are already managing substantial programmes related to building safety, fire remediation, major works and maintenance, alongside requirements such as Minimum Energy Efficiency Standards (MEES) and Heat Network Technical Assurance Scheme (HNTAS). These obligations absorb significant capital and organisational capacity, limiting the ability to take on additional borrowing.

The type of homes we manage also influences decisions. A large proportion of social housing in London consists of higher-rise and flatted homes, which limits the applicability of some technologies commonly associated with green finance models, such as rooftop solar.

Current funding and policy frameworks also contribute to uncertainty. Short-term programmes, inconsistent funding arrangements and changing compliance requirements reduce confidence to invest at scale and discourage long-term planning.

Emerging technologies (e.g. battery storage) may offer future opportunities, but are not yet viable at scale and raise safety and regulatory concerns in high-rise environments. This reduces the pool of investable, finance-ready projects.

The expansion of heat networks, which may appear particularly well suited to urban areas, is hampered by high delivery costs, increasing regulatory requirements and the risks associated with long-term investment. This is reflected in the relatively slow uptake of heat networks in existing homes and the withdrawal of some operators from the market.

There is also a risk of misalignment between heat network deployment and the MEEES timetable. In some areas, district heating may represent the most appropriate long-term decarbonisation solution, but the timing of network development remains uncertain. Housing providers may therefore need to invest in alternative low-carbon heating systems to meet MEEES requirements before a heat network becomes available. This risks creating additional costs, reducing the future customer base for heat networks and leading to the replacement of technologies before the end of their useful life.

Supply chains for key low-carbon technologies are increasingly exposed to volatility, which affects pricing, availability and delivery certainty. This increases project risk and weakens the confidence required to commit to long-term financed solutions.

Lastly, the limited financial advantage of green finance products can act as a deterrent. In many cases, the cost differential (“greenium”) between green finance and standard borrowing is relatively small, and can be outweighed by the additional reporting, monitoring and compliance requirements attached to green finance instruments. This reduces net benefit and discourages uptake, particularly where internal capacity is stretched.

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

A range of loan- and equity-based interventions could play a significant role in unlocking demand at scale, particularly where they address upfront cost barriers, align incentives across stakeholders, and provide long-term, predictable funding.

Energy as a service (EaaS) models, such as SERO, offer significant potential. These models shift the focus from upfront capital investment to delivered outcomes, with third-party providers financing, installing, and maintaining energy systems in return for a long-term service payment. This can address both capital constraints and performance risk, while encouraging innovation and whole-system optimisation. If supported by government through guarantees, standardised contracts, or co-investment, EaaS models could scale across both new build and retrofit markets.

Linked to this, tenant-focused or community-based models (e.g. “tenant power”) can help aggregate demand and improve engagement, particularly in social housing or multi-occupancy settings. By pooling demand and aligning incentives between landlords, tenants, and investors, these models can create investable scale while ensuring that bill savings and wider benefits are shared fairly.

Any measures that address sector capacity would also be extremely helpful. For example, low-cost loans (structured as quasi-grants) would have a limited impact on our metric making this a more viable and acceptable form of borrowing.

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.

The Warm Homes Fund should be framed as a dual-purpose intervention: (1) protecting low-income households from fuel poverty now, and (2) delivering the emissions reductions the UK needs from homes and buildings. The Warm Homes Plan is rightly focused on cutting bills and tackling fuel poverty, but it is also explicit that home upgrades (insulation, solar, batteries, heat pumps) are central to the transition to cheap, clean power in the home. We can't lose sight of this: residential energy use remains a major emissions source, and decarbonising homes is essential to meeting wider national targets.

To ensure the Warm Homes Fund includes an offer suitable for those on low incomes, it should be designed around real, quantifiable household benefits - not just theoretical improvements. That means prioritising measures and packages that deliver immediate bill reductions, warmer homes, and lower risk of arrears/self-disconnection, consistent with the Warm Homes Plan's aim to cut bills, tackle fuel poverty, and improve consumer support and protection.

First, the Fund should explicitly require "real savings" offers that work for prepayment meter (PPM) households, because PPM residents are more exposed to vulnerability and can be slower to access enabling tech and tariff benefits. The plan could shift from measure-counting or proxy metrics (SAP/EPC alone) to outcome-based contracting, where funding and supplier payments are tied to measured in-use performance (comfort, temperature stability, real energy use and affordability).

The Fund should align with (or help enable) a targeted social electricity tariff that provides an automatic discounted unit rate or rebate for low-income and high-need households. A social tariff is essential to protect vulnerable households in an era of persistently high bills and should be automatic and well-targeted (income plus unavoidable energy needs), avoiding low take-up. Alongside this, the Fund should invest in culture change, education and advice, simple user guidance, and post-install support.

This would help with CoE and with the persistent underheating of homes, which contributes to poor health and condensation, leading to damp and mould in some cases. In addition, this helps to reduce carbon emissions. Electrifying heat (heat pumps, smart systems, solar/batteries) and improving efficiency are central to cutting emissions from buildings and reducing exposure to volatile fossil fuel prices.

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.

We support the overarching aims to improve energy performance, reduce fuel poverty and cut carbon emissions.

These aims align with our core objective to provide homes that are warm, comfortable and affordable to run. Improving energy performance delivers direct benefits for residents, including lower bills, better health and improved living conditions.

However, we believe the Fund will be most effective if it maintains a clear focus on accelerating retrofit delivery for households most affected by fuel poverty and poor-quality housing. As currently proposed, there is a risk that the Fund attempts to address too many objectives simultaneously through a wide range of technologies, financing models and market interventions. Given finite public funding and delivery capacity, this risks diluting impact and slowing progress.

To succeed, the Fund must support delivery at scale. This requires long-term certainty, flexibility in programme delivery and a framework that prioritises measures that deliver meaningful outcomes for residents. Funding should be focused on practical, deliverable interventions that improve affordability, comfort and energy performance in existing homes, particularly where the social benefits are greatest.

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.

Yes, members agree with the technology scope.

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.

While there may be a role for the Warm Homes Fund in supporting targeted additional measures in new build social and affordable housing, the primary focus of the Fund should remain improving the energy performance of existing homes.

New social and affordable homes are already built to significantly higher energy efficiency standards than much of the existing housing stock and generally provide lower energy bills and better environmental performance from the outset. In contrast, many existing homes continue to face the greatest challenges in terms of fuel poverty, energy affordability and carbon emissions.

Given finite public funding and delivery capacity, the greatest social and economic benefits are likely to be achieved by prioritising investment in existing homes, particularly those occupied by lower-income households and those that are more expensive or complex to improve.

Where support for new build is considered, it should be targeted at measures that deliver clear additionality and long-term value, rather than funding activities that would already be required through existing building regulations, planning requirements or funding programmes.

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 believe it should also include communal assets, for example, those owned by HAs or in buildings where individual flat owners have limited control over decarbonisation opportunities. This would include measures such as EV charging infrastructure in communal areas.

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?

Financial institutions increasingly use EPCs as an indicator of climate risk, asset performance and progress against decarbonisation targets. For social landlords, EPC data is often referenced by lenders, investors, credit rating agencies and sustainability-linked finance products when assessing environmental performance and future resilience.

EPCs can therefore play an important role in supporting access to green finance and demonstrating progress against net zero commitments. However, there is uncertainty about how the transition to the Home Energy Model (HEM) and any future changes to energy performance metrics may affect the comparability of ratings over time. This creates a risk of confusion for investors and lenders, particularly where reported performance changes as a result of methodology changes rather than physical improvements to homes.

Government should ensure that any transition to HEM is accompanied by clear guidance and a stable framework for reporting and comparison, to maintain investor confidence and avoid unintended impacts on access to finance.

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

The success of any loans scheme will depend on whether it reduces risk, improves certainty and creates a sufficiently stable pipeline of demand to attract new providers and investment.

Long-term policy certainty and consistent funding arrangements are particularly important. Short-term programmes and changing policy requirements make it difficult for providers and investors to develop products, build delivery capacity and commit capital over the timescales required for retrofit.

Government should also consider how loan schemes can support innovation in delivery models. For example, Energy as a service models may help attract external finance by reducing upfront costs for consumers and creating longer-term revenue streams linked to energy generation, storage and management technologies. Where these models can demonstrate consumer benefit and appropriate protections, they may help broaden participation in the market and attract new investment.

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

The most valuable loan attributes are likely to be simplicity, affordability and certainty. Lower interest rates, longer repayment periods and straightforward application processes will be important in encouraging uptake and improving accessibility.

Strong consumer protections are also essential, particularly where products are targeted at lower-income households or linked to emerging technologies and service models.

Beyond individual loan features, long-term certainty is critical to market growth. Stable policy frameworks and predictable demand give lenders, installers and delivery organisations the confidence to invest in skills, systems and operational capacity. Without this certainty, there is a risk that new financial products are developed but the wider market lacks the capacity to deliver retrofit at the scale required.

Government should therefore focus not only on the design of individual financial products, but also on creating the long-term conditions that allow the wider retrofit market to grow and mature.

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?

We face a range of interconnected financial, structural, and delivery barriers that limit their ability to invest in warm homes upgrades at scale.

The most significant constraint is funding and financial capacity. Even achieving minimum requirements such as MEES is challenging within current funding frameworks, which are often short-term, inflexible, and capped below real delivery costs. At the same time, we must prioritise investment in building safety, maintenance, and regulatory compliance. As a result, going beyond minimum energy standards is unlikely to be viable without substantial grant support.

Delivery is further constrained by high compliance and transaction costs, including PAS 2035 requirements, absorbs a significant proportion of available funding. For example, the cost of PAS 2035 is reaching £2,000 per property. With the cost caps of £10k in place, if we were to include 15% A&A, £2000 for PAS 2035 and certification costs, only £6500 is left for actual improvement works. Combined with rigid programme rules, this reduces the funding available for actual improvement works and limits overall impact.

The nature of many social homes adds further complexity. Higher-rise and mixed-tenure buildings introduce planning, legal and building safety challenges that increase costs and extend delivery timelines. In many cases, retrofit programmes must also navigate complex ownership structures, management arrangements and statutory leaseholder consultation requirements. These processes can significantly affect the pace and viability of delivery, particularly where major works generate substantial costs for leaseholders. Funding frameworks need to recognise these constraints and support

approaches that avoid placing disproportionate financial burdens on leaseholders while still enabling whole-building improvements.

To overcome these barriers, the Warm Homes Fund should provide long-term, flexible funding with realistic grant levels, support portfolio-scale delivery, and reduce administrative burden. While enabling revenue generation where feasible (for example, energy as a service models), it must recognise that grant funding will remain essential, particularly for complex, urban housing.

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

Using public finance to incentivise above minimum warm homes standards offers benefits, but carries several key risks that need careful design to avoid unintended consequences:

- **Reduced housing supply:** Higher build costs can make schemes less viable, potentially reducing the number of affordable homes delivered unless funding is stable and sufficient.
- **Cost inflation:** Subsidies may drive up prices in already constrained supply chains, reducing value for money and increasing delivery risks.
- **Gaming and weak additionality:** Without robust criteria, funding may support developments that would have met higher standards anyway or encourage a focus on compliance metrics rather than real performance.
- **Performance gap:** Homes may not deliver expected energy and comfort outcomes if quality, commissioning, and in-use performance are not assured.
- **Health risks (ventilation and damp):** Poorly designed or managed airtight homes can increase risks of condensation, mould, and poor air quality.
- **Overheating:** Better-insulated homes may worsen summer overheating if not designed holistically.
- **Technology and lifecycle risks:** Incentives may favour specific technologies that increase maintenance complexity and therefore increase service charges or resident cost or impose long-term cost burdens on landlords. We would suggest improvements in fabric performance or fit-and-forget energy-saving measures (such as WWHRS) rather than adding more tech, which increases costs for servicing, maintenance, and replacement.
- **Infrastructure constraints:** Grid capacity and utility upgrades could delay schemes and add costs.
- **Administrative burden:** Complex funding mechanisms can slow delivery and increase costs.
- **Regulatory conflicts:** Energy standards must not compromise safety, accessibility, or other building requirements.

Incentives should be simple, stable, and focused on real performance, while supporting supply chains, protecting affordability, and maintaining overall housing delivery.

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.

Energy as a service (EaaS) models can support the Fund's aims by reducing upfront costs, improving in-use performance, and delivering direct bill savings to residents, but their applicability is highly dependent on asset type, roof condition, type of meter and delivery conditions.

Evidence and benefits:

- Existing EaaS models (e.g. Sero, SMS Metis, Octopus Tenant Power) demonstrate:
 - Resident savings of 15% on electricity bills
 - Additional revenue streams from solar export and grid flexibility (Virtual Power Plant participation)
 - Ability to shift from upfront capex to service-based payments or shared savings models
- They align incentives around actual performance rather than design standards, supporting Warm Homes objectives on affordability and outcomes.
- Should meet the MEES 'smart measure'

Timing of benefits:

- Short term (1–3 years): bill savings and reduced fuel poverty
- Medium term: stable revenue streams and optimised system performance
- Long term: lower whole-life costs and improved asset performance

Key risks:

- Limited applicability: Many models are only viable for houses or low-rise homes; high-rise flats (common in London) are often unsuitable
- Resident dependency: opt-in models or supplier switching (e.g. Octopus) risk low uptake
- Revenue volatility: depends on energy prices and grid services markets
- Only one model (SERO) works with prepayment meters
- Operational complexity: providers may become de facto energy providers, carrying long-term performance and reputational risk
- Equity risks: prepayment meter households may struggle to access full benefits

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?

Private sector investment is currently constrained by:

- uncertain and fragmented revenue streams,
- limited applicability across key housing typologies (e.g. flats),
- policy and regulatory uncertainty, and
- risks linked to resident behaviour and uptake.

In addition, providers have limited balance sheet capacity and are unable to absorb these risks at scale.

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.

Government can play a catalytic role through blended, repayable finance models, including:

- portfolio-level aggregation to create investable scale,
- risk-sharing mechanisms (e.g. guarantees or subordinated debt)
- revenue-backed repayment, linked to service charges, export income or flexibility revenues.

Standardised contracts and programme-level funding would also reduce transaction costs and accelerate delivery.

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

Targeted equity investment could support scaling EaaS providers or social housing ESCo models.

This would:

- accelerate market maturity,
- crowd in private capital, and
- enable long-term returns linked to energy service revenues.

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.

Key barriers include:

- Energy market structure, particularly electricity pricing and limited access to time-of-use or social tariffs;
- Consumer protection and PPM constraints, which can limit resident participation;
- Planning and stock constraints, especially for high-rise buildings; and
- Lack of standardised contracts and delivery frameworks.

Greater alignment is needed between housing, energy and consumer policy, alongside clearer long-term signals to support investment.

EaaS models offer a part of the solution. They can support delivery where conditions are right, but require government intervention to de-risk, standardise and scale, and must be complemented by grant funding and other approaches for more complex housing stock.

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.

This is usually led by our main contractors, so we cannot advise on this process.

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.

There are severe skills shortages across the retrofit supply chain, from EPC and PAS assessors to retrofit designers. Demand will increase further as both social and private landlords work towards EPC Band C compliance.

Addressing shortages in PAS-compliant professionals should be an immediate priority. Current constraints create bottlenecks and cost inflation, reducing the value of grant funding.

Specific funding for training will be essential in addressing this.

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

For the retrofit of existing homes, there are significant challenges associated with the development and expansion of heat networks in urban areas. In many locations - particularly in London - there is a lack of clear, coordinated rollout timelines from private heat network developers, creating uncertainty for social landlords when planning long-term decarbonisation pathways.

This lack of alignment risks creating tension with MEES requirements, particularly the expectation to meet higher EPC thresholds by 2039. Where heat networks are intended as the long-term solution but are not delivered in time, landlords may be forced to invest in interim retrofit measures that could later become redundant, leading to inefficient use of scarce capital.

There are also significant cost challenges. Delivering deep retrofit alongside, or ahead of, heat network connection (particularly in high-rise or harder-to-treat homes) can breach cost caps and undermine scheme viability. This creates a risk of:

- over-investment in measures that do not align with the optimal end-state,
- stranded or duplicated investment, and
- increased financial pressure on landlords and residents.

At the same time, the increasing cost of regulation and compliance, combined with the long-term operational and management requirements of heat networks, is beginning to act as a disincentive to rollout. Enhanced standards (including HNTAS and consumer

regulation) are necessary, but they add both upfront and ongoing costs, which can make heat networks less attractive compared to alternative solutions.

As a result, parts of the private market are shifting toward alternative approaches, such as improving building fabric and adopting exhaust air heat pumps or direct electric heating, which are seen as lower-risk and more straightforward to deliver compared to complex networked systems. This trend risks undermining the role of heat networks in delivering system-wide decarbonisation if not addressed.

There is therefore a need for stronger strategic coordination between retrofit policy, heat network rollout, and funding frameworks, alongside flexibility in cost caps where heat network pathways are being pursued.

Alongside this, there is a clear opportunity to unlock delivery through system-level, aggregated approaches. This could include developing larger-scale, social housing-led ESCo models that:

- aggregate demand across landlords,
- attract private finance at scale, and
- reduce transaction costs and delivery risk.

In parallel, government could incentivise or facilitate partnerships with existing energy companies, enabling them to take over or operate existing heat networks, bring specialist expertise, and access funding to improve performance and decarbonise legacy systems. This would help address the current asymmetry of risk, where housing associations act as de facto energy providers without the same capacity to manage long-term operational and market risks.

Overall, without better alignment, targeted funding, and support for scalable delivery models, there is a real risk that policy objectives on heat networks and retrofit diverge, leading to sub-optimal investment decisions and slowing progress toward net zero.

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.

Government finance could help bridge this gap by offering long-term (15–20 year) loans linked to energy efficiency compliance. These could be secured against ESCo revenue streams and repaid through verified energy cost savings. Such an approach would also support compliance with HNTAS requirements.

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.

The following needs to change:

- VAT: Heat supplied via heat networks is subject to 20% VAT, whilst gas and electricity are taxed at only 5%. This makes heat networks structurally less competitive on tariff comparisons and undermines the investment case. The rate

should be aligned with other domestic energy supplies.

- Heat network zoning: Investment decisions on network expansion cannot be finalised until zoning is confirmed. DESNZ should accelerate zoning for high-priority urban areas, but the fund should not require zoning certainty as a precondition for investment in existing network improvement.
- Heat Network Regulation and capital burden: The January 2026 go-live of the Heat Networks (Market Framework) Regulations has created simultaneous compliance and capital investment demands on operators. Without a structured transition period, compliance obligations will crowd out decarbonisation investment. DESNZ should introduce a formal window supported by Fund-backed transition finance.