

LivingPlaces

Warm Homes Fund: Call for Evidence

Submission from Living Places June 2026

About Living Places

Living Places (www.livingplaces.earth) is an independent social enterprise working exclusively on place-based decarbonisation. We are a multi-disciplinary team of practitioners combining policy, finance, legal, and technical expertise. We do not provide general consultancy services: our sole focus, since our foundation, has been on the architecture required to deliver and fund neighbourhood-scale retrofit and clean energy transition, and the specific individual programmes where that architecture is being tested.

Our team has been working on this problem continuously since 2020. The concept that became the Net Zero Neighbourhood model was first articulated by our Partners as Green Neighbourhoods as a Service (GNaaS, 2021), developed into the 3Ci Net Zero Neighbourhoods investment case (published June 2023), and subsequently applied and refined through programme delivery work across multiple authorities and geographies. We submit this evidence in our own right rather than on behalf of any client. Where we reference programme work, it is as primary evidence drawn from our own delivery experience.

Our programme portfolio

Living Places has worked directly with the following authorities, on both the strategic architecture and specific place-based programmes:

- **West Midlands Combined Authority (WMCA) – Energy Capital directorate:** fund architecture, control framework analysis, detailed investment case work including Castle Vale in Birmingham, and the NETF proposition; neighbourhood demonstrator programmes across seven constituent authorities including Brockmoor (Dudley), now advancing to a 600-home Phase 2.
- **York and North Yorkshire Combined Authority (YNYCA):** rural and heritage-constrained typology programme design and Delivery Organisation structure.
- **London Borough of Hounslow:** neighbourhood feasibility study and resident engagement strategy.
- **London Borough of Newham:** NZN project development for the North Woolwich programme area, currently at OBC stage.
- **London Councils:** design of the Project Management Office and Local Authority delivery team model for the London Net Zero Neighbourhoods programme; fund architecture and capital structure for the London-wide blended finance vehicle.
- **Bristol City Council:** Net Zero Neighbourhood programme design for three demonstrator areas under the Innovate UK Net Zero Living programme, including legal analysis of payment obligation mechanisms (with Burges Salmon LLP).
- **Edinburgh and South East Scotland City Region:** regional energy system strategy and delivery mechanism design.
- **Glasgow City Council:** climate investment vehicle design.

Few other organisations submitting evidence to this CfE will have worked across programmes of this breadth simultaneously – spanning multi-tenure, urban, rural, heritage-constrained, leasehold-heavy and Scottish contexts – and the cross-programme evidence that results is directly material to this submission.

We note, however, that this programme experience carries a time dimension that is not captured in the list above. Neighbourhood retrofit programmes are not inert between funding rounds. Bristol’s three demonstrator areas have now been dormant for approximately three months following the conclusion of Innovate UK Net Zero Living programme support; the North Woolwich programme in Newham will reach the end of its current OBC stage in the coming months. When active programmes pause, the consequences are concrete: resident trust built over years of engagement begins to erode, supply chain relationships that took time to establish are not maintained, and the specialist knowledge assembled within delivery teams starts to dissipate as individuals move on. The institutional memory of what worked, and why, is not automatically recoverable. The window within which the investment made in these programmes can be translated directly into demonstrator delivery is finite. This submission is made in that context, and with that urgency.

Our Partners’ professional background

Living Places’ senior team brings together experience spanning policy, finance, delivery, and legal practice in this field. Our Partners include individuals who have worked within central government on CDEL capital programme design and spending review submissions in this space, and who have direct experience of how programme proposals of this type are assessed internally. One Partner sits on the advisory panel for GB Energy’s Local Power Plan programme. Others have led the finance architecture work across the WMCA, London Councils, and Bristol programmes, and the legal and community finance analysis that underpins the payment obligation work set out in this submission. This submission reflects that combined experience and is intended to be useful to officials as well as to ministers.

Introduction: Six Arguments

This submission does not answer all 70 questions in the Call for Evidence. It addresses the questions where Living Places has primary evidence to contribute, and where we consider the CfE’s current framing to benefit from input or development. We respond as the independent technical author of the delivery and finance architecture that multiple programme submissions to this CfE are proposing to implement.

We append the NETF Briefing Note (June 2026) as a technical annex. It contains the full financial model, legal analysis of payment obligation mechanisms (with Burges Salmon LLP), ONS classification analysis, FTCF market failure case, and fund implementation options. Where questions are addressed in full in the briefing note, we cross-reference rather than repeat.

Our submission is organised around six structural arguments, each drawing on the specific questions listed. The arguments are set out in order of logical dependence: the first establishes why the current WHF design risks not achieving its stated aims; the subsequent arguments identify what would need to change and why each change is within reach.

Argument	Principal questions
1. The diagnosis is correct; the treatment proposed is not	Q1, Q2, Q24, Q29
2. The payment mechanism question is the pivotal unresolved issue	Q17–20, Q24–27, Q32
3. Programme-level CDEL FT equity is the right instrument, but the structural conditions are unspecified	Q3, Q29–31, Q33

4. A national fund with regional allocations is more efficient than individually negotiated schemes	Q29, Q31, Q70
5. The demonstrator phase must generate specific national evidence, not just prove one programme	Q5, Q70
6. The cross-departmental barriers are the binding constraint and cannot be resolved through individual programme negotiation	Q20, Q32, Q36

The briefing note appended to this submission provides the full technical foundation for Arguments 2, 3, and 4. Arguments 1, 5, and 6 draw primarily on cross-programme evidence set out in the body of this submission.

Argument 1: The diagnosis is correct; the treatment proposed is not

Principal questions: Q1, Q2, Q24, Q29

The Call for Evidence correctly identifies the strategic problem: retrofit at the scale required to meet net zero cannot be achieved through grant subsidy alone; private capital must be mobilised; and a more sophisticated set of financial instruments is needed. Living Places endorses this diagnosis. We have been making the same argument, and attempting to implement its implications, since 2020. The GNaaS paper (2021) set out in detail why individual-household-level incentives were failing and would continue to fail regardless of the interest rate attached to them. Five years of programme work across eight authorities has consistently confirmed that analysis.

Where we take issue is with the treatment the CfE proposes. The three WHF mechanisms – equity funds, blended finance, and revenue-and-savings sharing – are presented as parallel alternatives from which DESNZ will select an appropriate mix. They are not alternatives. They are components of a single integrated model, each of which is necessary but none of which is sufficient on its own. The equity fund is the vehicle; blended finance describes how it is capitalised; and revenue-and-savings sharing through the comfort fee is how households participate while generating the returns that service the capital. Separating them into parallel funding tracks will produce fragmented, under-scaled interventions that cannot achieve the WHF’s stated aims.

This conflation is not a drafting issue. It reflects a more fundamental misdiagnosis of where the problem actually sits.

The problem operates at two levels, not one

The retrofit challenge operates at two distinct levels that require different instruments and must not be conflated.

At the household level, the barrier is not primarily the cost of finance. For a significant proportion of the households most in need of retrofit – those in older, harder-to-treat properties on lower incomes – even zero-interest finance leaves them net worse off. The repayment obligation on a consumer loan, however structured, will in many cases exceed the energy bill saving generated by the measures financed. This is not a marginal problem: our modelling across multiple programmes consistently shows negative net present value for deep retrofit at the household level, even under optimistic energy price assumptions and zero-interest financing. Rational households decline finance that makes them poorer. They should.

This dynamic is not evenly distributed across England. In 2021 – when this analysis was first published as part of the GNaaS paper – average house prices in London were approximately £661,000 but only £200,000 in the North East and North West; average loan-to-value ratios were around 82%; and a deep retrofit at £40,000 would represent approximately 6% of property value in London but 20% in the North, against average equity positions that made the debt burden proportionally far heavier in lower-value regions. The specific figures will have changed; the structural dynamic has not. A policy framework that relies primarily on individual household debt instruments will systematically exacerbate regional inequalities in energy costs and

housing quality. Our programme work in the West Midlands and North Yorkshire has confirmed this in specific local contexts; the WMCA submission to this CfE makes the regional inequality argument in detail drawing on current West Midlands data.

At the programme level, the barrier is different: it is the absence of a vehicle that can aggregate dispersed household demand into a programme visible to supply chains and investors, manage delivery collectively, and generate revenues sufficient to service a capital stack. This is a fund design and governance problem, not a household finance problem. Consumer loans and PLF instruments cannot resolve it because they operate at the wrong level: they reach individual households but do not create the programme entity needed to attract institutional capital.

The comfort fee – a service charge calibrated to below the household’s pre-retrofit energy bill – resolves both levels simultaneously. It is the universal consumer participation mechanism regardless of tenure, creditworthiness, or income, because the household pays for a service rather than repaying a debt. It is also the programme-level revenue stream that makes the capital stack investable, because the SPV owns the assets and receives the service charges as commercial income. The three WHF mechanisms become one model when the comfort fee is its consumer architecture: the equity fund capitalises the SPV; blended finance is how the equity fund is structured; and the comfort fee is how households participate while generating the returns.

Why the complexity barrier is independent

The CfE acknowledges the complexity of individual retrofit as a barrier. Our programme experience shows it is not merely a barrier to uptake – it is an independent obstacle that finance cannot resolve. Individual households cannot be expected to identify appropriate measures for their specific property, procure accredited contractors in a fragmented market, coordinate multiple trades, and manage quality assurance through to completion. In our resident engagement work across multiple programmes, complexity consistently registers as a deterrent even where the economics are marginally positive and finance is available.

Area-based delivery resolves this by removing the complexity from the individual household. A neighbourhood programme manages design, procurement, and quality assurance collectively, leaving the household a simple participation decision. This collective approach also generates the demand aggregation that makes supply chains respond: a single programme vehicle contracting for a 1,000-home neighbourhood creates a programme visible to PAS 2035-accredited retrofit coordinators and PAS 2030-certified installers in a way that 1,000 individual households cannot. Our work across multiple programmes confirms that the workforce constraint is real and that demand aggregation – not training grants alone – is the primary supply chain intervention required. This is also what enables the investment case: at 1,000-home programme scale, the capital deployed per programme, the revenue base from comfort fee income, and the economies in procurement cost combine to make the financial model viable in a way that smaller pilots cannot demonstrate.

The implications for WHF design

If the two-level diagnosis set out above is correct – household net-worse-off dynamic plus programme-level aggregation gap plus complexity barrier – then the WHF design needs to reflect it at each level.

At the household level, the comfort fee as the primary consumer mechanism, with consumer loans available as an additional route for households above the fuel poverty threshold for whom the economics are marginally positive. The WHF should not treat consumer loans as the primary instrument and the comfort fee as a secondary alternative.

At the programme level, CDEL FT equity as cornerstone capital into an investment vehicle that owns assets, generates revenues, and can attract institutional debt alongside the public equity. This is Argument 3 in this submission.

At the fund design level, a national vehicle with regional programme allocations rather than individually negotiated regional funds. This is Argument 4.

The WHF as currently framed risks funding each of these three elements separately, achieving partial coverage at each level, and failing to generate the integrated model that neighbourhood retrofit requires.

For the full financial model, including comfort fee calibration, capital stack modelling, and returns analysis, see the NETF Briefing Note (Sections 3, 5, and 6) appended to this submission.

Argument 2: The payment mechanism question is the pivotal unresolved issue

Principal questions: Q17–20, Q24–27, Q32

The comfort fee is only as commercially robust as the legal mechanism that secures the payment obligation. If a household can exit the obligation on sale, the SPV's revenue stream is uncertain; if the mechanism is classified as a debt against the property, mortgage lenders will object; if it requires primary legislation to establish, it cannot be used in demonstrator projects. The payment obligation mechanism is therefore not a secondary implementation detail – it is the foundational legal question on which the investability of the entire neighbourhood programme model depends.

Living Places, working with Burges Salmon LLP and funded by Innovate UK through the Bristol Mission Net Zero programme, has conducted detailed analysis of this question for the English and Welsh context. The full analysis is set out in the appended lessons learned paper. In our subsequent work with WMCA and YNYCA we have drawn on the conclusions of that Bristol analysis; the legal advice itself was specific to the Bristol programme. This section summarises the conclusions and their implications for WHF design.

The criteria any mechanism must meet

For the comfort fee to function as a programme-level revenue stream, the payment obligation must meet three criteria simultaneously: it must not constitute a debt attached to the property or the individual; it must be maintained through change of ownership so that the SPV's revenue is not disrupted by property sales; and it must be applicable across all tenures in a mixed neighbourhood, since a mechanism that works only for owner-occupiers cannot support the multi-tenure model that area-based programmes require.

These three criteria together rule out most of the instruments that have been proposed or tried elsewhere. Legal charge on a property is debt-based and creates the PACE-type barrier that caused mortgage lender concern in the United States and has not produced a workable UK equivalent. Individual consumer contracts do not survive change of ownership without novation, which cannot be made automatic. Lease covenants are tenure-specific. The Green Deal's meter-based structure survives ownership change but requires energy company intermediation, carries reputational damage from the original scheme, and would need primary legislation to repurpose.

Four mechanisms, three time horizons

Our analysis identified four mechanisms that can meet the criteria, applicable across different time horizons.

Positive covenants, registered against individual titles at the Land Registry, are available immediately and require no government action. On property sale, the covenant is renewed with the incoming owner as a condition of the conveyance. The administrative burden – a property-by-property process managed through solicitors at point of sale – can be absorbed into programme delivery costs and creates no net additional cost to the household. Positive covenants are the appropriate mechanism for the first small-scale pilots that prove resident acceptance, installer quality, and payment behaviour before the demonstrator scale is funded.

The Local Land Charge route, established via Ministerial order under Section 1(1)(e) of the Local Land Charges Act 1975, is the primary medium-term mechanism for demonstrator-scale programmes. Unlike positive covenants it enables area-based enrolment rather than property-by-property registration, and the payment obligation can run directly to the SPV or another designated entity rather than via the local authority. This is what makes it compatible with the private finance model: the SPV collects the service charge and uses it to service the capital stack directly.

Critically, this route does not require primary legislation. A Ministerial order under the existing Section 1(1)(e) provision is sufficient to authorise its use for demonstrator programmes. Our analysis confirms this is viable. The cross-departmental ask is specific: a joint DESNZ/MHCLG process to confirm the Ministerial order route and test the mechanism in demonstrator programmes. This is a defined, bounded ask – not an open-ended legislative reform.

The longer-term options – Green Deal repurposed and a new Warm Homes Obligation modelled on the water supply obligation – both require primary legislation and carry significant structural complexity. The Green Deal repurposing would lock energy companies into the payment collection chain. The Warm Homes Obligation would require a fundamental reimagining of energy service provision nationally. Neither is appropriate for the demonstrator phase; both are worth keeping as long-term options that demonstrator experience will help evaluate.

The mortgage lender question

All four mechanisms were soft-tested with the green homes leads at two high street mortgage lenders as part of the Bristol programme. All four were deemed potentially acceptable and did not create the barriers that other proposed approaches – including legal charge on property – have done with lenders. The key question for lenders is the impact on valuations during the transitional period before area-based approaches are normalised in the market. The place-based approach to demonstrators directly addresses this concern: where a significant proportion of properties in a neighbourhood carry the same additional condition, local estate agents become familiar with it and can explain it to buyers.

The growing evidence of a discount on lower-EPC properties in the housing market and increasing lender concern about stranded mortgage risk are also relevant here: these trends create an independent commercial case for lenders to support mechanisms that improve EPC ratings, and make the lender reception to the comfort fee more favourable now than it was in 2025 when the Bristol analysis was conducted.

What this means for WHF design

The WHF fund design process must include a defined workstream on payment obligation mechanisms, jointly owned by DESNZ and MHCLG, with a clear output: confirmation of the Section 1(1)(e) Ministerial order route for demonstrator projects, and a process for testing it in the first funded programmes. Without this, the fund can be capitalised and the SPVs can be structured, but the comfort fee revenue stream has no legally secure foundation.

This workstream should be initiated before or alongside the fund design process, not after it. The payment obligation mechanism determines the SPV's revenue model, which determines the capital stack that can be structured around it, which determines the ONS classification questions that need to be resolved. All of these are downstream of the payment mechanism decision.

The positive covenants route provides an immediate bridge if required: demonstrator programmes can begin enrolling households and proving resident acceptance, payment behaviour, and supply chain response using positive covenants before the LLC route is confirmed. This is important for the WHF design because it means the demonstrator does not need to wait for the cross-departmental process to complete before first projects are live. If the Section 1(1)(e) route can be confirmed quickly – and our analysis suggests there is no legal impediment to moving at pace – positive covenants may not be needed as an intermediate step at all. Some NZN pathway work – small pilots of ten to twenty homes – can begin under existing legal mechanisms today.

For the full analysis of payment obligation mechanisms, including the legal routes under the Local Land Charges Act 1975, mortgage lender testing, and associated payment collection options, see the Bristol Mission Net Zero Lessons Learned Paper 1 and the NETF Briefing Note (Section 5) appended to this submission.

Argument 3: Programme-level CDEL FT equity is the right instrument, but the structural conditions have not been specified

Principal questions: Q3, Q29–31, Q33

The case for deploying CDEL Financial Transaction capital as cornerstone equity – not debt – into neighbourhood programme investment vehicles is well-made in a number of submissions to this CfE. The equity instrument is the right one because the programme risk profile in the demonstrator phase demands it: first-of-kind delivery, uncertain returns, and a long investment horizon all call for capital that sits at the bottom of the capital stack and absorbs first loss. But there is a further reason specific to the demonstrator phase. Before the asset class has a track record, private institutional capital will not be available on terms compatible with the consumer offer. CDEL FT equity is therefore likely to be the primary or sole source of capital in the initial phase – this is not a standard minority co-investment proposition alongside a private majority. The public equity comes first and proves the model; private institutional debt follows as programme performance is demonstrated; and private sector equity participation becomes viable as the asset class acquires a track record and institutional investors can price the risk independently of public subsidy. The ask is for patient cornerstone capital during a bounded demonstration phase, not a permanent commitment to government funding.

Living Places does not repeat the full case for FT equity here – it is set out in detail in the appended NETF Briefing Note. What this argument addresses is a gap that programme submissions cannot fill: the structural conditions that must be in place for the FT instrument to work as intended have not been specified by DESNZ, and without them the fund cannot be designed. There are three specific conditions, each requiring a decision that DESNZ cannot make unilaterally.

Condition 1: The ONS classification question must be resolved before fund design is finalised

Whether the CDEL FT deployment into the fund vehicle counts as a financial transaction in National Accounts terms – and therefore achieves the fiscal neutrality benefit under PSNFL – depends on how ONS classifies the receiving entity. This is not a question that resolves itself through programme delivery: it requires deliberate fund design guided by early informal pre-engagement with ONS.

In summary: if the fund vehicle is classified as Central Government, the deployment consolidates out of the National Accounts as an intra-general-government transfer; no financial asset is recognised; the capital scores as expenditure; and the FT instrument fails entirely. If the vehicle is classified as a Public Sector Corporation or private sector entity, the FT works and the PSNFL fiscal neutrality benefit is achieved. Whether Central Government classification is avoided depends on a two-stage test: first, whether government exercises effective control over the entity in ESA 2010 terms; and second, if control is found, whether the entity earns more than 50% of its income from market sales.

The proposed structure is a fund TopCo incorporated as a company limited by shares, with government deploying CDEL FT as majority equity via NWF, an independent board with a majority of non-governmental directors, investment decisions delegated to a commercially contracted fund manager with an independent investment committee, and a management fee structure covering 100% of operating costs from commercially-priced fees on assets under management. This structure is designed to support a Public Financial Corporation classification under either the control test (where board independence and private sector co-investment weaken the control finding) or the market producer test (where the fee structure meets the 50% threshold decisively). The NatWest Group precedent (classified as a PFC throughout 84.4% government ownership from 2008 to 2024) confirms this route is established. The NETF Briefing Note sets out four specific questions that should be put to ONS through informal pre-engagement before the fund structure is finalised.

DESNZ should initiate this pre-engagement as a priority. It cannot be left to individual programme teams to navigate independently – the ONS classification of the fund vehicle is a national question that applies to every programme accessing the fund, and the answer will determine the entire fund governance design.

Condition 2: The FTCF market failure case must be made explicitly and accepted by HMT

The Financial Transaction Control Framework requires that large-scale FTs be delivered by a designated public financial institution and that a credible market failure case be made in the business case. The NWF is the natural deployment vehicle.

For the NETF, deployment would mean DESNZ delegating its own WHF CDEL FT allocation to NWF for this purpose; NWF's own separately designated capital of approximately £28bn has its own mandate and restrictions and is not the source of capital proposed.

The market failure case is strong and is set out in Section 4 of the briefing note: the asset class has no track record; individual projects are below the scale threshold for institutional capital; tenure mix makes conventional lending impractical; and the comfort fee revenue stream has no established legal basis yet. These are textbook conditions for a first-loss public equity intervention. But the case must be formally accepted through the HMT spending team and FTFCF business case process before capital can be committed. The FTFCF also permits concessional returns where market failure justification exists – the base case financial model shows below-gilt returns in the demonstrator phase, improving as programme economies of scale are demonstrated.

DESNZ should initiate the FTFCF business case process alongside or before the fund design workstream, not after it.

Condition 3: The fund governance design must simultaneously meet the control and market producer tests and be mission-aligned

The governance design of the fund vehicle is not merely an operational question – it is a fiscal design requirement. An independent board, an investment committee that operates without ministerial direction over specific investments, and a fee structure that covers the fund's operating costs from commercially-priced income are the conditions that determine whether the entity passes the ONS control test and the market producer test. Two further design features, while not required by the fiscal classification analysis, are important for mission alignment and political sustainability.

Capped government equity returns. If the fund performs strongly, uncapped equity returns to government could create a situation where households are in effect paying an above-market comfort fee in order to generate public sector profit. This is politically and reputationally unacceptable regardless of whether the returns are technically justified by the capital at risk. Living Places proposes that government equity returns should be capped at a defined threshold above gilt yield, with any returns above the cap recycled into programme development, used to reduce the comfort fee for enrolled households, or both. This structure is explicitly compatible with the FTFCF: concessional or capped returns are permitted where a market failure justification exists, and a return cap demonstrates that government is not seeking to displace private capital or extract commercial returns from a captive market. The precise cap level is a design question; the principle should be established in the fund specification from the outset.

Capped or shared fund manager fees. The standard private equity fee model is not appropriate for a public interest vehicle of this type. Living Places proposes instead a fee structure that rises linearly to cover the fund manager's operating costs, with a smaller additional percentage above that threshold to create genuine performance alignment without enabling significant extraction. This is closer in character to a regulated fee structure than a conventional fund management model. The fund manager's financial interest should be in covering its costs and delivering programme outcomes, with limited additional upside, rather than in maximising fee income.

Both mechanisms serve the same purpose: demonstrating that the fund is structured to serve programme outcomes rather than to extract financial value from either government or households. Together they create the governance profile that makes the vehicle politically defensible, legally robust for ONS classification purposes, and consistent with the FTFCF's requirements. Living Places proposes both as design principles for DESNZ to adopt in the WHF fund specification. Neither is an established precedent in UK public finance; both draw on practice in community development finance, regulated utilities, and mission-aligned infrastructure investment.

The three asks

First, DESNZ should facilitate early informal ONS pre-engagement on the fund vehicle classification, using the four specific questions set out in Section 8 of the NETF Briefing Note, before fund design is finalised. This should be treated as a departmental priority, not delegated to programme teams.

Second, DESNZ should initiate the FTFCF business case process with HMT and NWF at programme design stage, establishing the market failure case and confirming the concessional returns basis before capital commitment is sought.

Third, DESNZ should specify the governance design requirements for WHF-funded investment vehicles – including the capped return and fee structure principles set out above – as part of the fund specification, so that regional programmes can design compliant vehicles from the outset.

For the full analysis of fund structure, ONS classification argument, FTFCF requirements, and the four ONS pre-engagement questions, see Section 8 of the NETF Briefing Note appended to this submission.

Argument 4: A national fund with regional allocations is more efficient than individually negotiated schemes

Principal questions: Q29, Q31, Q70

The WHF's stated ambition is national in scale. The delivery challenge is inherently regional and local – neighbourhood programmes must be rooted in specific places, governed by people with knowledge of those places, and responsive to the particular characteristics of local housing stock, tenure mix, and community context. These two facts are sometimes read as being in tension: national fund, local delivery. They are not. The question is not whether delivery should be local – it must be – but whether the fund architecture that enables that delivery should be nationally designed or individually negotiated region by region. Living Places' experience across eight programmes makes the answer clear: individual negotiation is the wrong model, for reasons that are concrete and quantifiable.

The transaction cost argument from programme experience

Every programme that has attempted to develop a whole or part neighbourhood retrofit investment vehicle has encountered the same structural questions in isolation. What legal form should the delivery and investment vehicles take? How should the payment obligation be secured across different tenures? What governance arrangements satisfy the range of stakeholders and funders involved – and in a WHF context where CDEL FT equity is on the table, including the ONS control and market producer tests that determine whether FT treatment is achievable? What does the programme business case need to demonstrate – and in a WHF context, how does it align with the FTFCF requirements? How should the capital stack be layered? What model consumer contracts, quality assurance frameworks, and supply chain procurement terms are appropriate?

Living Places has worked through variants of each of these questions across multiple programmes in England and Scotland, operating in environments where the policy context, available funding, and programme ambitions have differed significantly. The specific framing of some questions – particularly around ONS classification and FTFCF alignment – has sharpened considerably with the advent of the Warm Homes Plan and its CDEL FT allocation. But the underlying structural questions are consistent. The answers do not vary materially by region. The legal analysis of the Local Land Charge mechanism applies equally in Birmingham, Bristol, North Yorkshire, and Hounslow. The ONS classification analysis is a question about fund vehicle structure, not geography. The FTFCF business case makes the same market failure argument whether the programme is in an urban West Midlands neighbourhood or a rural North Yorkshire market town.

Each programme that develops these answers independently incurs the full transaction cost of doing so – in legal fees, financial advisory work, programme development time, and officer capacity. In our experience this runs to several hundred thousand pounds per programme before a single home is enrolled. Multiplied across the regions already developing compatible programmes and those that will seek to access the WHF, this represents a significant deadweight cost to the public purse and a major barrier to programmes reaching investment readiness.

A national fund with a common architecture eliminates the majority of this cost. Legal templates, governance frameworks, consumer contracts, quality assurance standards, and the ONS and FTFCF analyses can be developed once and made available

to all participating regions. Each region's programme development work then focuses on what is genuinely place-specific: identifying neighbourhood areas, engaging residents, building the local pipeline, and recruiting supply chain partners.

The sequencing problem that individual negotiation creates

There is a further problem with individually negotiated regional funds that goes beyond transaction cost. The structural questions identified above – ONS classification, FTFC business case, payment obligation mechanism, fund governance design – cannot be resolved by regional programme teams acting alone. They require engagement with ONS, HMT, and MHCLG respectively. No regional Combined Authority has the standing or the capacity to initiate those engagements independently and bring them to a conclusion. The result, in the absence of a national fund design process, is that each regional programme stalls at the same structural barriers and waits for clarity that only central government can provide.

A national fund design process, convened by DESNZ with HMT, ONS, NWF, and MHCLG, resolves these questions once for all participating regions simultaneously. The individual programme teams are then implementation partners, not structural negotiators. This is both more efficient and more likely to succeed.

What a national fund enables that individual schemes cannot

Beyond transaction cost and sequencing, a national fund enables three things that individually negotiated regional schemes structurally cannot achieve.

The first is investor confidence at scale. Institutional investors – pension funds, insurance companies, and the infrastructure debt funds that are the natural long-term providers of the senior capital layer in the fund structure, once the model is proven – assess asset classes, not individual programmes. As argued in Argument 3, these investors will not fund the demonstrator phase; private institutional capital follows public equity once programme performance is demonstrated. But a national fund creates the conditions for that transition: it generates a portfolio with geographic and typological diversification, a credible pipeline of deployable capital, and the programme scale that justifies the due diligence cost of a new asset class. A single regional programme, however well-designed, cannot achieve this alone.

The second is supply chain development. A supply chain capable of delivering neighbourhood-scale retrofit at the volumes required by the WHF's ambitions does not currently exist at sufficient scale in England. Building it requires a demand signal large enough and certain enough to justify investment in PAS 2035 accreditation, workforce training, logistics, and capital equipment. A national fund with committed capital across multiple regions and a defined delivery timeline can provide that signal; a single regional programme cannot.

The third is typological learning. The neighbourhood retrofit challenge presents differently across urban, rural, leasehold-heavy, heritage-constrained, and mixed-tenure contexts in England. Resolving the model for one typology does not resolve it for others. A national fund that simultaneously supports programmes across multiple typologies – through National Demonstrator Allocations for regions with programme readiness and an Open Allocation for further regions as their pipelines mature – generates a national evidence base across all typologies in parallel. Sequential demonstration would take decades to generate comparable evidence.

The ask

DESNZ should design the WHF as a national investment fund with regional programme allocations from the outset, rather than as a capital programme from which regions individually negotiate bespoke fund structures. The fund should have a common architecture – legal templates, governance framework, consumer contract standards, quality assurance requirements, ONS-compliant vehicle structure – developed centrally and made available to all participating regions.

The two-tier structure proposed in multiple submissions to this CfE – National Demonstrator Allocations for regions with delivery capability, programme pipeline, and institutional readiness; and an Open Allocation for further regions as their pipelines develop – is the right approach. It reflects the reality that programme readiness is uneven across England without

requiring regions to wait for a single national procurement. It also creates the portfolio diversification that institutional investors require, while keeping the fund architecture consistent enough to generate comparable evidence across typologies.

The national fund architecture and two-tier allocation structure are described in the NETF Briefing Note (Sections 7 and 9) appended to this submission.

Argument 5: The demonstrator phase must generate specific national evidence, not just prove one programme

Principal questions: Q5, Q70

Multiple submissions to this CfE propose a national demonstration programme. Living Places supports this proposition and has contributed to several of those submissions. This argument does not repeat the case for demonstration – it addresses a question that the programme submissions cannot answer from their own vantage point: what specifically does the demonstration phase need to prove, and how should it be designed to generate that evidence efficiently?

The distinction matters because demonstration programmes can be designed in two fundamentally different ways. The first treats demonstration as proof of concept for a single model in a single place, after which replication is assumed to follow. The second treats demonstration as a structured national evidence generation exercise, designed from the outset to answer the specific questions that prevent private capital from engaging at scale. The first model generates a successful pilot. The second generates an asset class. The WHF has the capital and the policy mandate to do the second. Without deliberate design, it will default to the first.

The five questions that private capital cannot currently answer

From our work across programmes and from direct engagement with potential institutional investors, five questions consistently prevent private capital from committing to neighbourhood retrofit investment without a public equity demonstration.

First, resident response at scale. Will households enrol in sufficient numbers, across a mixed-tenure neighbourhood, to make the programme financially viable? The comfort fee model is theoretically rational for households but rational economic models do not reliably predict consumer behaviour in novel service markets. The demonstration must generate actual enrolment data across multiple household types, tenures, and income levels, in sufficient volume to allow institutional investors to model uptake risk independently.

Second, investor terms that work in practice. The financial model for the capital stack is well-developed analytically. Whether institutional debt providers will commit on the terms the model assumes – tenor, security, covenant package – is an empirical question that can only be answered by a live programme that has actually raised and deployed capital. The demonstration must complete at least one full capital raise, including senior debt, before the national fund can be designed on the basis of proven rather than modelled investor terms.

Third, comfort fee performance through property transactions. The payment obligation mechanism has been legally designed and mortgage-lender tested. Whether it performs as designed through actual property sales, in a real neighbourhood with real conveyancing chains, has not yet been proven in England. The demonstration must include sufficient property transactions to validate the mechanism under real market conditions.

Fourth, supply chain response and pricing at programme scale. The supply chain for PAS 2035-accredited neighbourhood retrofit at 1,000-home programme scale does not currently exist in England at a price that makes the financial model work. Whether it can be developed – and at what price point – can only be answered by a programme that has actually procured at that scale.

Fifth, pricing across tenures. The comfort fee model assumes that a single programme vehicle can manage delivery and payment across owner-occupied, private rented, social rented, and leasehold properties simultaneously. The demonstration must include genuine multi-tenure delivery – not a programme that quietly selects the easiest tenures – to generate the evidence that makes multi-tenure programmes investable.

Why simultaneous multi-typology demonstration is essential

These five questions arise in every typology but present differently across urban, rural, heritage-constrained, and leasehold-heavy contexts. Answering them for one typology does not answer them for others. An urban West Midlands programme with predominantly terraced stock proves the model for that context; it does not prove it for a North Yorkshire market town with dispersed off-gas-grid properties, or for a London borough with predominantly leasehold flats and complex third-party consent requirements, or for a Greater Manchester neighbourhood with a different tenure mix and strong credit union infrastructure.

The WHF has the opportunity to fund simultaneous demonstration across multiple typologies through the National Demonstrator Allocation structure proposed in multiple submissions. From LP's perspective – as the organisation that has worked across the widest range of these typologies simultaneously – the multi-typology simultaneous approach is not merely desirable. It is necessary if the demonstrator phase is to generate a national evidence base within a single parliament. Sequential demonstration would take decades to generate comparable evidence.

The evidence generation design ask

DESNZ should specify the five proof points above as explicit programme design requirements for National Demonstrator Allocations, not as hoped-for outcomes. Each NDA programme should be required to design for evidence generation across all five dimensions from inception, with reporting arrangements that make the evidence available to DESNZ, to NWF, and to the institutional investor community as programmes progress.

This is the mechanism through which the WHF demonstrator phase generates an investable asset class rather than a collection of interesting pilots. The difference between the two is not the quality of the programmes – it is whether the evidence they generate is structured to answer the questions that capital markets need answered. Living Places is prepared to contribute to the design of that evidence framework, drawing on our direct experience of the questions that institutional investors have raised in programme conversations across our portfolio.

The five proof points are discussed in more detail in the NETF Briefing Note (Section 10) appended to this submission.

Argument 6: The cross-departmental barriers are the binding constraint

Principal questions: Q20, Q32, Q36

The preceding five arguments identify what needs to happen for the WHF to achieve its aims. This argument identifies why it has not happened yet, despite capable programme teams working on it for several years, and why it will not happen through the normal process of individual programme development and bilateral negotiation with departments.

The barriers to neighbourhood-scale retrofit investment are not primarily technical. They are not primarily financial. The financial model is analytically coherent at programme scale, as the NETF Briefing Note demonstrates, and the evidence from resident engagement across multiple programmes suggests that the consumer proposition should be attractive to households. But as Argument 5 of this submission sets out, neither of these propositions has yet been proven at full programme scale with a live comfort fee offer – that is precisely what the demonstrator phase must establish. What prevents the demonstrator from being funded and the proof points from being generated is not a gap in the analytical case. It is a set of structural and cross-departmental barriers that sit in the gaps between departments, not within any single department's remit.

– and that cannot be resolved by programme teams working bilaterally with individual departments, however persistent and well-resourced those teams are.

Living Places has worked on this problem across eight programmes over five years. The pattern is consistent. Each programme reaches the same set of structural barriers at roughly the same point in its development, stalls in the same places, and waits for clarity that only central government can provide. The barriers are not programme-specific: they are systemic, and they will recur for every regional programme that attempts to access the WHF on a neighbourhood-scale blended finance model unless they are resolved at the level at which they actually sit.

The three structural barriers

The first is the payment obligation mechanism, which requires MHCLG. The comfort fee's legal foundation – the Local Land Charge established via Ministerial order under Section 1(1)(e) of the Local Land Charges Act 1975 – is a cross-departmental ask. DESNZ cannot grant it unilaterally. MHCLG holds the relevant legislative and regulatory levers. The ask is specific and bounded: a joint DESNZ/MHCLG process to confirm the Ministerial order route and test it in demonstrator programmes. This does not require primary legislation. It requires a decision by two secretaries of state and a supporting statutory instrument. That is a defined, achievable step – but it requires both departments to prioritise it simultaneously, which will not happen through individual programme teams making separate representations to each department independently.

The second is the ONS classification question, which requires HMT. As Argument 3 sets out, the fiscal treatment of CDEL FT deployed into the fund vehicle depends on the ONS classification of the receiving entity. ONS pre-engagement requires a process initiated through HMT's Balance Sheet team. Regional programme teams cannot initiate this independently. DESNZ must initiate it, which requires HMT's agreement and active participation.

The third is the FTFCF business case and public financial institution engagement, which requires HMT and NWF. Deploying CDEL FT via NWF requires a formal business case through the HMT spending control process, agreement with NWF on deployment terms, and alignment between DESNZ's WHF mandate and NWF's framework document. The business case process is iterative and long; beginning it late creates a sequencing risk where fund design is complete but capital cannot be committed because the approval process has not started.

Why the barriers persist without a convening mechanism

The three structural barriers described above are not new. The payment obligation question has been visible since the Bristol legal analysis was completed in 2025. The ONS classification question has been understood in principle since the WHF's CDEL FT allocation was announced. The FTFCF business case process is a known requirement under the Framework published in 2024. None has been resolved, not because the answers are unavailable but because resolving each one requires active coordination between departments that do not have a standing forum for doing so in the context of the WHF.

This is not a criticism of any individual department or official. Cross-departmental coordination on novel fund design questions is genuinely difficult in the absence of a convening mechanism at a level with the authority to bring relevant parties together around a shared design objective. Each department operates rationally within its own remit. The barriers sit in the spaces between remits. Without a process that brings DESNZ, HMT, MHCLG, NWF, and ONS together explicitly around WHF fund design, the risk is that each waits for conditions that another department must create – a coordination problem rather than a capability or willingness problem.

The CfE process itself is an opportunity to break this pattern. A well-framed response from DESNZ to the evidence received – one that acknowledges the structural barriers and commits to a cross-departmental resolution process – would signal to programme teams and investors alike that the WHF is moving from design to delivery.

The need for alignment with GBE and the Local Power Plan

The WHF does not operate in isolation. Great British Energy's Local Power Plan and its community and retrofit investment programmes have overlapping geographies and, in many cases, overlapping objectives with the WHF. A neighbourhood

programme SPV that combines building fabric retrofit, heat decarbonisation, local generation, and community energy storage simultaneously serves the objectives of both the WHF and the LPP. Without deliberate coordination at fund design level, the risk is that these programmes develop separate capital structures, separate governance requirements, and separate reporting frameworks for what are, on the ground, the same neighbourhood programmes.

The NETF SPV structure offers a natural point of integration. A neighbourhood programme SPV can in principle receive capital from both the WHF equity fund and the LPP, with each programme's capital serving the elements of the neighbourhood programme within its respective mandate. This is not a theoretical proposition: LP's work on the Local Power Plan advisory panel has confirmed that the programme design objectives are compatible at the neighbourhood scale. What is needed is a deliberate decision, taken early in the WHF fund design process, to align the governance, reporting, and capital structure requirements of both programmes so that SPVs do not face incompatible requirements from different funding sources.

DESNZ should include GBE and the LPP team as participants in the cross-departmental WHF fund design process proposed in the ask below. The alternative – two programmes developing their fund requirements independently and expecting neighbourhood delivery teams to reconcile the differences on the ground – will increase transaction costs, delay deployment, and reduce the coherence of the national evidence base that both programmes need to generate.

The ask

DESNZ should convene a cross-departmental WHF fund design process at senior official or ministerial level, with HMT, MHCLG, NWF, GBE, and ONS as formal participants, before the fund design is complete. The process should have four specific outputs: confirmation of the Section 1(1)(e) Ministerial order route for the payment obligation mechanism; initiation of informal ONS pre-engagement on the fund vehicle classification; agreement on the FTFC business case process and timeline with HMT and NWF; and alignment of WHF and LPP fund design requirements so that neighbourhood programme SPVs can access both without incompatible structural constraints.

These outputs are not aspirational. They are the preconditions for any regional programme to progress from investment readiness to capital commitment. Until they are resolved, the WHF capital will sit undeployed while programme teams continue to work around the edges of barriers that only central government can remove.

The CfE is itself an opportunity. The volume and quality of submissions from programme teams across England demonstrates that delivery capacity exists, programme pipelines are real, and the model is ready to be funded. What is needed now is not more evidence – it is a decision to convene the cross-departmental process that turns that evidence into deployed capital. Living Places is well-placed to support that process, having worked across the programmes that will participate in it and having direct experience of how such processes work from the inside.