

Financing the street: the questions a room of 120 asked about the Neighbourhood Energy Transition Fund

On 6 October we ran a free webinar on the Neighbourhood Energy Transition Fund, a follow-on from our Coin Street policy briefing in August. Around 120 people joined, from the Treasury and DESNZ, Combined and Local authorities, funders, community energy groups, delivery firms and academia. The questions came faster than we could answer them live. This piece summarises what we set out, then works through what you asked, grouped by theme, including the hard ones. Where we are confident, we have said so. Where the honest answer is that something has to be proved or evidenced through delivery, we have said that too.

What we covered

The starting point is a problem of delivery, not ambition. The country has committed to decarbonising its homes, and the Warm Homes Plan has put real repayable capital behind it. What has been missing is a way to actually deliver retrofit house after house, street after street, community after community, at the scale the numbers demand.

Two things stop a household acting. The first is time: a homeowner faces a wall of questions, should I do this at all, what is the right solution for my house, who do I trust to do the work, how do I find the time to manage it, how do I know it has been done well, and most, reasonably, never get past the first. The second is money, and it brings its own: can I borrow what I need, will I be left out of pocket, can I afford the repayments, and what else could I be spending that money on?

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Barriers

Time

- should I do this?
- what technical solution(s) for my house?
- who to commission?
- how do I find the time to project manage?
- how to quality assure?

Money

- can I borrow the money?
- will I be out of pocket?
- can I afford the repayments?
- What else could I use my spending power on?

Delivery Model

House-by-House

Individual building owner must drive process and make all decisions

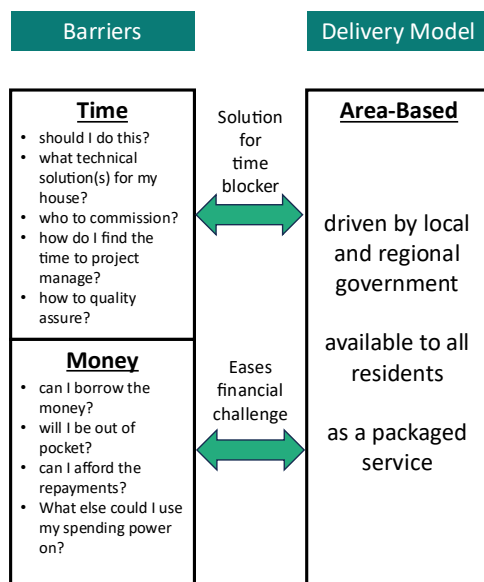
Area-based delivery answers this. Run by local and regional government and offered to every resident as a managed, packaged service, a neighbourhood programme takes on the tasks the household cannot: the advice on whether and what to do, the technical design, the collective procurement of trusted installers, the project management and the quality assurance. That is how it removes the time barrier, by carrying the load rather than leaving it on the resident. And it begins to ease the money barrier too, because designing once for a whole area and buying at scale brings the unit cost down: delivering to a thousand homes should cost less than delivering to one house a thousand times over. Working at neighbourhood scale also opens up what a house-by-house approach never can: shared assets such as community batteries and heat networks, coordinated grid connections and flexibility, and in time the planned decommissioning of the gas grid, street by street.

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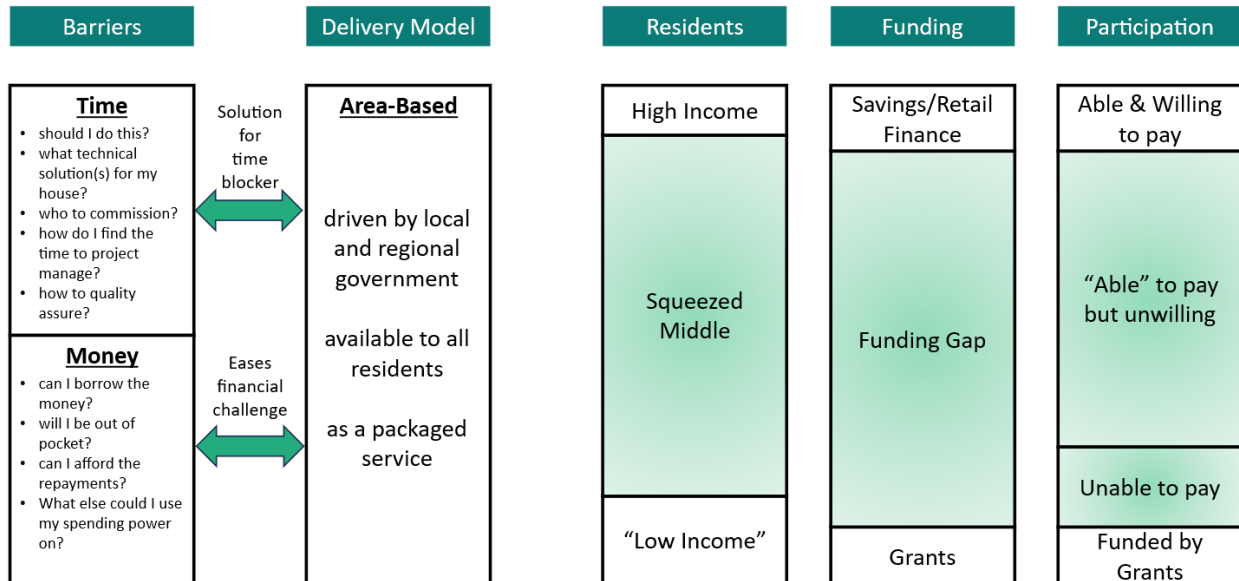


But area-based delivery has a precondition: participation. It only works if enough of a neighbourhood takes part. If only a handful of homes in an area ever sign up, the economics do not hold. And that is where the money barrier bites, because of who can and cannot pay.

Government tends to use “able to pay” to mean everyone who is not eligible for a grant. That is not right. At one end, higher-income households can self-fund through savings or ordinary finance. At the other, the lowest-income households are covered by grants. In between sits a large group who can do neither, and the reason is arithmetic. For many homes, and on our modelling the majority, the monthly repayment on the finance needed to pay for the work would be larger than the saving it delivers on the energy bill. The household would be worse off every month.

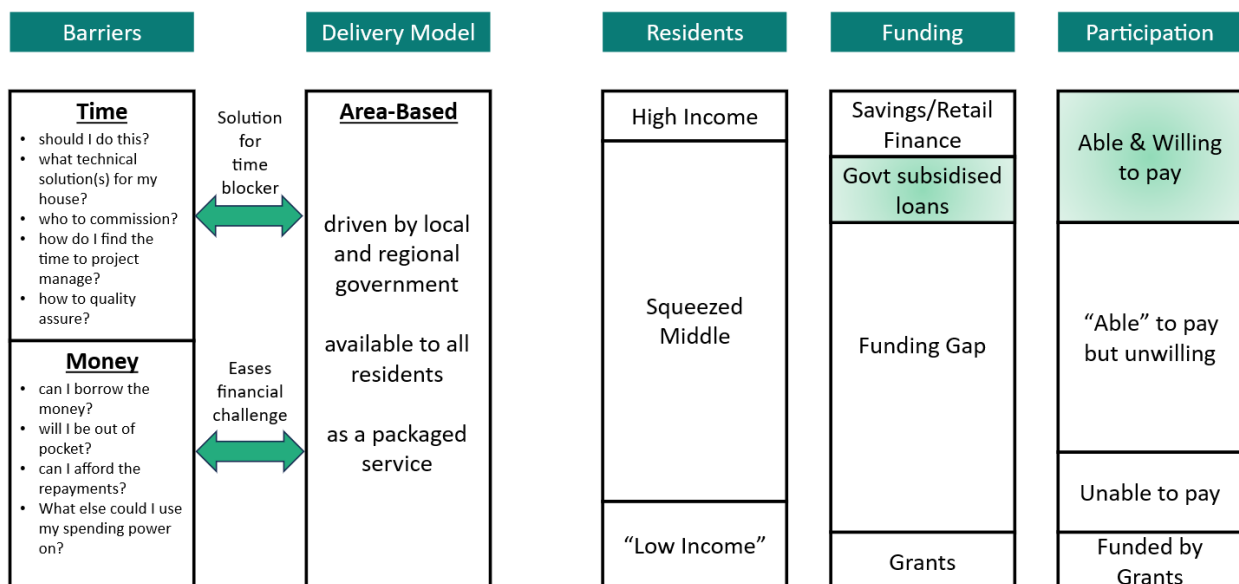
Two groups follow from that. There are those who are genuinely unable to pay: too well-off to qualify for a grant, but without the credit rating or the headroom to borrow at the scale required. And there are those who are able but rationally unwilling: they could borrow in theory, but will not choose to make themselves poorer month after month in order to retrofit. Together they are the squeezed middle, and the “able to pay” label hides both. Leave them out and participation falls below what area-based delivery needs.

Neighbourhood Energy Transition Fund



Government has already recognised part of this, putting substantial low-cost lending into the Warm Homes Plan. Cheaper debt helps, and it narrows the gap between the cost of the finance and the saving on the bill. But it does not close it: for much of the middle the repayment still exceeds the saving, and the household is left out of pocket each month. The problem was never only the price of credit.

Neighbourhood Energy Transition Fund



The Neighbourhood Energy Transition Fund is our proposed answer, developed under the DESNZ-funded Local Net Zero Accelerator with the West Midlands Combined Authority and submitted jointly into the Warm Homes Plan Call for Evidence as a national model, with support from the [Coalition of Place](#), the officer network of combined authorities, cities and councils working to make the country's homes warmer and cheaper. Its purpose is narrow and specific. There have so far been two ways to pay for the upfront cost of retrofitting a home: pay for it yourself, whether from savings or through borrowing, or qualify for a grant. The fund adds a third, the comfort fee, so that the large group who can do neither can still take part.

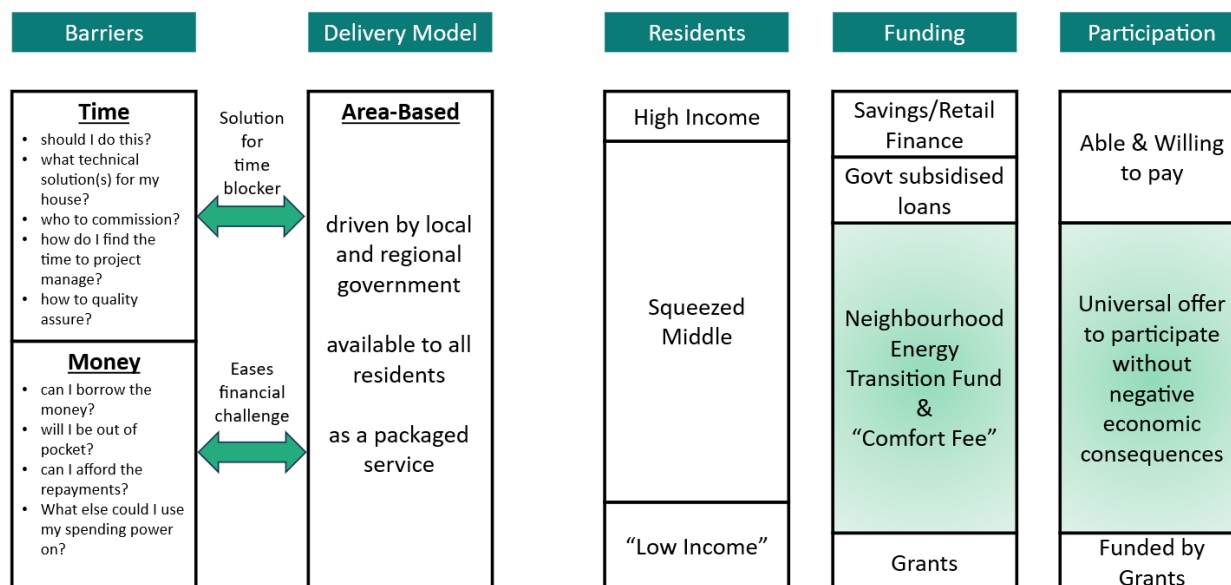
That third route is a service offer. Households who can pay for the work themselves still can, from savings or a low-cost loan, and keep all of the energy saving; those who qualify for a grant still receive one. The comfort fee is the route for everyone else: an ongoing service charge set, as a core principle, so that a household's total outgoings after the work, the fee plus their residual bill, do not exceed what they paid before, though models will have to be developed to accommodate homes which have been underheated. It is not a loan. Unlike personal borrowing it does not sit with the individual, and unlike standard property-linked finance it places no debt or financial charge on the home: it is a service payment obligation that attaches to the address, sized against the initial reduction in the energy bill. The fund provides the capital behind the comfort fee.

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But it is worth separating two things that work together. The delivery programme is the managed service on the ground: it engages residents, assesses homes and brings all the routes together on the doorstep, letting those willing and able to pay self-select and fund the work themselves, generating customers for the low-cost loan scheme, and drawing down existing grants. The NETF is the funding mechanism beneath it, with the narrow job of fixing the squeezed-middle offer through the comfort fee, the one route the programme would otherwise lack. So the fund does not replace retail finance, loans or grants; by closing the gap in the middle it is what lets the programme reach the whole street rather than only its two ends.

Three points about the capital. First, this is not a request for new subsidy. It is a way to deploy repayable, return-seeking financial-transaction capital, which cannot be given out as grant: it returns to be used again. Second, it is designed to sit in an independent vehicle, off local and regional government balance sheets, which is also why simply handing the money to mayoral authorities does not work: their balance sheets cannot absorb the risk the funding requires. Third, and easily overlooked, is how the fund pays for the groundwork. One of the real blockers today is that getting a neighbourhood to the point where it is investment-ready, the surveys, the resident engagement, the technical design and the financial structuring costs money upfront and almost nobody funds it, so promising projects never reach the stage where investment can flow. The fund is built to pay for that development work itself: the income a commercial fund of this kind would normally pay out to its managers as profit is, in this not-for-profit structure, recycled into building the pipeline instead. Committing the capital is therefore also what switches on the funding to create the projects the capital will back, just as it does in typical project financing. National capital, regional direction, local delivery, with ownership held publicly through the fund.

Your questions

We have grouped the questions rather than answer each in turn, because many overlapped. Within a group, the components do not all sit at the same level of certainty, and we have tried to be clear which is which.

The squeezed middle: how big, and who?

The most-asked question was how large the squeezed middle actually is. The honest answer is that we can describe it confidently but not yet size it precisely. Plot the ability and willingness to pay across the country's roughly 29 million homes and three groups appear: a slice who will self-fund, a slice covered by grants, and a large middle for whom neither works. We are confident the group is large and that the "able to pay" label obscures a real "unable to pay" population who are not grant-eligible and cannot borrow at the required scale. We are not claiming a precise figure, and the true size of that middle group, and how it varies between places, is exactly the kind of thing a capital-deployment demonstrator is designed to measure rather than assert. And to be clear, at the two bookends there are gaps too: it could be economically rational for higher income households to choose the comfort fee rather than a loan or self-financing, and at the other end, there is a finite amount of grant available: not all low income households can be serviced by the amount of grant that the Government is able to make available.

This also answers the "what if take-up is low" worry. Participation is the variable the whole model is most sensitive to, and it is one of the main things a demonstrator exists to test: real uptake, in real neighbourhoods, among different community types, rather than the small, atypical pilots the sector has relied on so far. Just as important as how many people say yes is how you get there: the engagement strategies that build trust in a place, how a programme is introduced street by street, what actually drives a household to act, and how word of mouth spreads once neighbours begin to take part. There were good questions too about rural versus urban, and about households choosing to spend their money on other things. We do not yet have robust UK evidence on how uptake and engagement differ by place and circumstance, and we would rather generate it through delivery than guess at it now.

The comfort fee: is it a loan, and what happens when prices move or people move?

The comfort fee is not a loan, and it does not put a financial charge on the property. It is a payment obligation at the address, which could be underpinned by a land-charge mechanism (one of four options identified) that a minister can establish by order, naming a designated body as the recipient. That distinction matters, and PACE is the cautionary tale. PACE is a property-linked finance mechanism: a loan secured by a charge on the home, and in most US states that charge was a lien ranking ahead of the mortgage. That is what led mortgage lenders to refuse to lend against the

affected properties.¹ The comfort fee is deliberately the other thing, a property-linked payment obligation rather than property-linked finance, carrying no loan and placing no lien on the home. Because the obligation sits with the property rather than the person, it survives a change of occupant, which answers the “what happens when someone moves” question that the sector has wrestled with for decades, and, by extending the funding period, is what lets the model reach the long-term patient capital that pension funds are looking for. We believe this is a viable route without primary legislation, and it is one of the specific things we want to prove in a demonstration phase.

At the moment, whoever lives in a house will need to pay for energy in perpetuity - currently in the main through an energy bill to a private energy supplier. This is a new way to receive and pay for a significant portion of that energy that reduces what is already a household responsibility to pay. It is a switch in who you pay, arranged differently, rather than an additional responsibility or cost. The hardest version of this question, put directly on the call, was what happens to the comfort fee if energy prices fall. If the fee is fixed while bills drop, a household could end up worse off than if they had done nothing. This is a real risk, not one we would wave away. The fee has to carry an inflator, most likely CPI-linked, and has to be sized with a margin of headroom so the resident stays net better off across plausible price paths. But we will not pretend the future price path is knowable. How to set and index the fee so it is fair to the resident and bankable to the investor across a range of scenarios is a genuine design question, and one a demonstrator is there to stress-test with real data rather than modelled assumptions. It also means understanding the real costs a household carries today but rarely adds up, the annual boiler service, the one-off bill when it fails, which a demonstrator can help surface and the service model can absorb.

Two further points related to residents were rightly raised. The comfort fee is a choice, not an imposition: anyone who prefers to self-fund keeps all of the saving, and residents can choose not to participate at all. And it is a service relationship, so under it the provider owns, maintains and replaces the installed assets, which is part of how risk moves away from the household, and which we return to below.

Performance, measurement and who carries the risk

A recurring and fair challenge was underperformance: retrofit measures often save less than modelled, so who carries that gap? In the service model behind the comfort fee, the answer is that the provider does, not the resident. If the provider owns and operates the assets and the fee is calibrated to a guaranteed outcome for the household, then the performance risk sits with the party best able to manage it. Approaches like the Energie Sprong comfort-plan model, which guarantee performance, are part of how we are thinking about this.

Where we are less certain, and said so, is measurement. The sector still leans on EPC as its metric, which is a poor proxy for real performance. We would hope the combined social housing and local grant programme coming for 2027/28 moves away from a simple EPC measure, and better in-use measurement is something the model needs and the demonstrator should help establish. We are confident about who should carry performance risk; we are honest that the measurement standards to underpin it are still maturing.

The ability to manage the twin issues of performance and finance also supports the area-based approach: by managing a local energy system the provider has the ability to make use of a wider range of levers, including accessing flex markets to optimise income and use from energy generation and other outcomes-based metrics. These

¹ In most US states a PACE charge is a “super-priority” lien ranking ahead of the mortgage. In 2010 the Federal Housing Finance Agency barred Fannie Mae and Freddie Mac from buying mortgages on homes carrying one, which in effect halted residential PACE. See the FHFA’s statements on energy-retrofit loan programs and on super-priority liens (fhfa.gov).

are still being explored, for instance understanding what value coordinated area decarbonisation has to the grids (both electricity and gas).

A related question was whether retrofit needs its own technical assurance regime, as heat networks now have, and how that sits with heat zoning. Our instinct is that it probably does need stronger assurance, for the same reason the measurement standards above matter. On zoning, we would gently reframe the question: rather than zoning for a single technology such as heat, the more useful unit may be the smart local energy system, planning a neighbourhood's heat, power, storage and flexibility together. That is a view we are offering, not a settled position.

What the fund will pay for: fabric, damp, overheating

You asked whether this covers more than carbon: damp and mould, overheating in summer as well as cold in winter, and measures that improve a home without saving energy. An area-based packaged service is well suited to bundling these, and doing a whole home and a whole street at once is the natural moment to deal with fabric, health and comfort together.

The honest constraint is how each element is funded. Financial-transaction capital has to earn a cash return, so it naturally finances the measures with a bankable income (the energy and system savings). Measures that deliver health or comfort benefits but not a cash saving are harder to “charge for” and are more naturally the place where grant is blended in. Bundling them in delivery is straightforward; funding them is where the design work sits, and it connects to the question of social value below.

That same logic answers the question about homes with damp, mould or structural problems, the kind of condition that can make a property ineligible for a grant such as Warm Homes: Local Grant. The model does not rule those homes out. It subjects them to the same test as any other: remediation adds to the capital cost and lowers the return, so a home that needs significant work has weaker economics and reaches viability only with more grant, or a resident contribution, to cover the gap. Retrofit readiness is not a separate gate; it is part of the same economics.

These questions need to be resolved within the Household Offer and the sets of terms that sit behind them to make the delivery and money work. The Household Offer needs to cover the technical, operational and financial offer to households, and needs to be made clear in how it is articulated to ensure transparency and accessibility. In some of our work we have interacted with these questions, but they will be fundamental to explore as part of demonstrators.

Why heat, and not transport too?

One question noted that the largest modelled household saving in the Climate Change Committee's numbers comes from transport fuels rather than heat, and asked whether rolling EV charging into the package would improve the returns over a domestic decarbonisation-only approach. We have not modelled it, so the honest answer is a qualified yes, quite possibly. The Net Zero Neighbourhood thinking this builds on was always meant to be whole-system, with EV charging infrastructure in scope alongside heat, solar and storage (and potentially other projects in a local area that contribute to net zero), and adding a stream with strong economics could strengthen the overall case rather than dilute it. It is on the list to test, not something we are claiming yet.

Scale: how big is a neighbourhood, and what about the grid?

On scale, we can be concrete about our working assumption and open about the rest. The special-purpose vehicle we model for a neighbourhood is in the order of 8,500 homes delivered over about eleven years, within a rolling programme across a neighbourhood of perhaps 10,000 to 15,000 homes. Scale matters because it is what unlocks the

economies, and what lets you aggregate to a size that long-term institutional and pension capital can engage with. That 8,500 is our modelled project size, not a statement about the minimum viable scale.

What the optimal scale actually is, and how it interacts with the grid, including the cost and timing of substation and network reinforcement, is less settled. Coordinating at neighbourhood level is part of the point, because it lets you plan the network with the distribution network operator (DNO) alongside the buildings rather than house by house, and brings into view the flexibility and reinforcement-deferral value the DNO can recognise. Where network effects begin to lift uptake, and where scale starts to pull costs down, are not things we can assert from a model; alongside the real street-level costs and the grid interaction, they are among the clearest things a demonstrator would establish.

Where the money, and the return, comes from

A direct challenge: if a zero-interest loan already does not make the sums work, where does the return for investors come from? The answer is that the return is built from the system value an area-based programme can capture and make bankable, the energy savings and the grid and flexibility revenues, aggregated across a neighbourhood, with public first-loss capital taking the early risk that private lenders will not. The model is acutely sensitive to making those system incomes bankable, and that, rather than squeezing the individual household, is where the work is.

What time period the funding requires a return over (tenor) matters too, and it connects back to the arithmetic of the squeezed middle. A consumer loan is repaid over a relatively short term, which is part of why its monthly repayment so often exceeds the saving. Because the comfort fee attaches to the property rather than the person, it can be spread over a much longer period, with patient equity behind it. The same cost spread over a longer tenor (even factoring in service and replacement costs) means a lower monthly payment, and that is what lets it sit below the energy saving where a short consumer loan cannot.

On the mix of capital: we were asked why we assume institutional investment, and whether retail or community capital has a role. Both do. The ambition requires institutional-scale funding, and patient capital, including pension funds, becomes reachable precisely once the property-based obligation extends the funding horizon and aggregation creates the scale. But that does not crowd the others out. Residents who would rather use ordinary retail finance can still do so, as one of the routes offered on the doorstep. And community equity, raised to invest alongside the institutional capital, could be more than a source of funds: giving a neighbourhood a stake in its own programme may be one of the strongest ways to build the participation the model depends on.

On monetising social and health benefits, including through social impact bonds, we were candid: the evidence base is not yet strong enough to move money on those benefits reliably, even though there are many promising data points here and abroad, and the financial-transaction control framework requires a demonstrable cash return. The more practical near-term route is to align grant funding to the social benefits rather than to try to securitise them.

And on grant: we are not pretending grant disappears, and this is where it is worth separating two distributions that are easily run together. The squeezed middle is about who can pay. This is a different question: where the economics of the retrofit itself stack up. Plot the return on retrofitting across the country's homes and you would expect something like a bell curve, from homes where the energy saving and system revenues comfortably cover the cost, through a large band where they nearly do, to homes where they do not. Our modelling is built to show how much grant it takes to bring each successive band into range, and so how far the fund's reach extends at each level of subsidy. If the fund alone reached, say, eight million homes, that would still leave a gap, but it would tell you precisely how much grant it takes to reach the next million, and the next. That is a feature, not a failure: a tool for deploying scarce grant only where the economics genuinely need it.

How is this different from the subscription offers already out there?

Some on the call pointed to products already on the market, solar and battery packages offered with no upfront cost as a monthly subscription of £50 or £60, with much of the income coming from flexibility, and reasonably asked what is new here. These models are close cousins, and we take real encouragement from them: they are live, they work, and they are good evidence that households will accept an ongoing service charge in return for a better energy outcome. The difference is scope. Those offers concentrate on the parts of the transition with the best standalone returns, solar, storage and flexibility, because that is what pays on its own. The harder task, and the one the fund is built for, is stretching the same kind of model to cover deeper, whole-house retrofit, fabric and heat included, where the returns are thinner and the squeezed-middle problem bites hardest. The subscription offers prove the mechanism; the work is to make it reach the measures, and the households, that they do not.

We focus on this whole-house approach because it is necessary for both decarbonisation and overall energy security. We cannot decarbonise our homes if we do not get them off gas and oil for heating. We cannot cope nationally with growing electricity demand from e.g. electrification of transport and other unrelated growth (such as data centres) unless we find ways to also reduce the demand. Fabric changes across the UK's homes would contribute to this overall demand reduction.

Delivery, community energy and the role of local institutions

Questions here ranged across the delivery vehicle, the role of community energy, and devolution.

On the vehicle, the fund can deliver through a local special-purpose vehicle, and the resident offer can be structured as an energy-service company arrangement or through the comfort-fee structure; these are design choices, not either/or doctrines. On community energy, a fair challenge was raised about how the model engages with community groups, not only those set up to own renewable assets, but those mobilising their neighbours to drive community-scale action. Our answer was that the programme has to work at both ends of a spectrum. Where there is a strong, organised community it should enable genuine community co-design, and community ownership is powerful where there is a return to share. But many neighbourhoods are more transitory, with no established group to build on, and there the same programme has to work through a more consumer-offer-led approach. It cannot assume strong community infrastructure is present everywhere. How community ownership, co-design and participation best fit together across that range is, in part, still open, and something we would develop with partners. The same holds where a neighbourhood already runs its own community energy service: each project has to be shaped around the local institutions already in place rather than cutting across them. We see this as enabling area-based to be place-based, by which we mean that area-based delivery can be made to explicitly reflect the place where it is being deployed through how the programmes are designed and run. This means that with nationally-replicated structures there can be local variation through Neighbourhood Pathways. This allows local delivery to flex to respond to the local context without challenging the overall model. This could mean that community organisations could be paid suppliers to the delivery, and community participation can be honestly built in to reflect what is realistic and appropriate.

On devolution, we made a point worth repeating. Handing the financial-transaction capital straight to mayoral authorities is not the answer, because their balance sheets cannot absorb the risk this kind of funding carries. The way to get genuine devolution and public ownership that also works is to hold the capital in an independent vehicle with a locked-in mandate, set the direction regionally against each area's strategy, and deliver locally. National capital, regional direction, local delivery.

We were also asked whether places outside a mayoral combined authority, Oxfordshire was the example given, are at a disadvantage. On the design of the fund, not really. Some regional coordination is sensible, partly for the economies

of scale in project-development capability, and a national fund benefits from a layer of local aggregation to organise delivery and build a pipeline. But that layer does not have to be a mayoral authority; a large unitary can do the same job. What the fund cannot settle is the government's wider approach to devolution and how it treats different areas relative to one another, and the halt to local government reorganisation has not made that any clearer. On the mechanics, a non-mayoral area is not disadvantaged; on the politics of devolution, that is a question for government.

Workforce and supply chain

A designer in the room made the point that detailed design, home by home, is heavy work, and others asked where the workforce for delivery at scale comes from. It is a real constraint, and worth being clear about what this work does and does not try to solve. We are tackling two of the three big problems: the capital and the demand. The third, building supply-side capacity, the installers, designers and trained workforce, is just as important, and it will need its own mix of public and private investment to grow. But that investment will not come while demand is stop-start and uncertain. A consistent, long-term, aggregated demand signal is the precondition for the supply chain to expand, and generating that signal is exactly what an area-based programme at scale is for. We are building the demand side so that the supply side has something to invest behind.

Geography: England, or the whole UK?

We were asked whether “regional and national” here means England or the UK, prompted by someone with a project in Scotland. The ambition is UK-wide. The Call for Evidence we responded to is a UK-government process seeking national funding models, and the steer from government has been that the financial-transaction solution needs to work for the whole of the UK, not for England alone. What is still being worked through is how. The financial-transaction capital, the devolution of retrofit funding, and the land-charge route that could underpin the comfort fee all sit differently across the four nations, so the way the fund is deployed in Scotland or Wales would differ from England and needs developing with the right partners. But this is not conceived as an England-only model, and we would welcome those conversations.

A related point on fit with existing programmes: the fund is deliberately designed to pull existing grant streams into one coordinated offer rather than compete with them, and to align with the combined social housing and local grant programme expected from 2027/28. Precisely how it meshes with those evolving programmes is live, and is part of what the business case work with the Warm Homes team is there to resolve.

Please, no more shiny reports

The thread running through the hardest questions is the same: many of them can only be answered by deploying capital at neighbourhood scale and measuring what happens, rather than by running another small pilot or modelling in the abstract. That is the case for a demonstrator, or better, a first cohort of places, and it is what we are asking government to back: commit the financial-transaction capital into an independent vehicle, fund a first cohort rather than a single site, and build the enabling frameworks (the payment-obligation route, the move beyond EPC, the subsidy-control treatment) in parallel.

If you work on the finance, policy or delivery of place-based energy transition, we would like to hear from you, and especially if you are a place that wants to help prove this out.

You can watch the [full recording here](#), read our [Call for Evidence response](#) (scroll to the bottom of article for links), and get in touch at info@livingplaces.earth.