

Warm Homes Plan

Low-Income Households Funding Proposal

Executive Summary

This proposal outlines a differentiated delivery model for the £600 million Warm Homes Fund allocation targeted at low-income and clinically vulnerable households.

Recognising that this cohort cannot be effectively served through conventional consumer finance or standardised grant mechanisms, a point explicitly acknowledged in DESNZ's own Call for Evidence, the approach is built on a single, fully protected offer with no upfront cost, no household debt and no repayment obligation.

Delivery partners will underwrite a guaranteed minimum £300 annual energy bill saving per household, fully shielding vulnerable households while managing performance risk.

By treating the £600 million as a high-impact social investment layer within the overall £5 billion Warm Homes Fund, the model maintains Financial Transactions compliance at the programme level rather than the individual allocation.

While generating limited direct financial recycling, it is projected to deliver:

- £76-£104 million per year in total societal benefits, including
 - £10.2 million in bill savings
 - £26-34 million in NHS cost reductions
 - £40-60 million in wider social value

Over 30 years, this equates to a 3-5x return on investment, materially stronger than many able-to-pay segments of the Fund.

This pragmatic, portfolio-managed approach ensures high uptake, protects the most vulnerable, delivers substantial fiscal and health benefits to UK Government and represents strong overall value for money.

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Strategic Rationale: Why a differentiated approach to low-income households is essential

This £600 million allocation must operate differently from the rest of the Warm Homes Fund because the target cohort, low-income and clinically vulnerable households, cannot be effectively served through conventional Financial Transactions applied at the household or sub-portfolio level.

DESNZ's own Warm Homes Fund Call for Evidence explicitly recognises these challenges:

- *“Loans made direct to consumers and the extra debt they entail might mean that they are not suitable for all sections of society, particularly low-income groups.”*
- *“Even a 0% loan would result in an additional monthly cost to repay the loan principal.”*
- *“Innovative solutions are likely to be required when thinking about how the Warm Homes Fund could serve the needs of low-income groups and ensure they are not barred from achieving the savings that can result from warm homes upgrades.”*

This cohort sits outside traditional consumer finance models due to affordability, credit and engagement barriers. They are also unlikely to be reached at sufficient depth through standardised, volume-driven grant schemes. Without a tailored model, the policy objective of a fair transition will not be met.

Core Delivery Principle: No upfront cost for vulnerable households

The £600 million allocation should be exclusively targeted at the most vulnerable households through a single, non-tiered delivery model. For these households there must be:

- No upfront cost
- No perceived or actual household debt
- No complexity that discourages participation

Success depends on removing financial and psychological barriers, using simple and trusted delivery routes, and guaranteeing that support reaches those who are least able to engage with complex products. Any tiering, visible repayment or differentiated consumer obligations risk suppressing uptake and excluding those most in need.

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Strong societal value case and NPV framing

Retrofitting vulnerable homes delivers substantially higher long-term societal and fiscal returns than many able-to-pay segments of the Warm Homes Fund. These returns flow from reduced NHS costs, lower care needs, improved wellbeing, productivity gains and other fiscal impacts and benefits that are difficult to capture through direct capital recycling alone.

Illustrative portfolio metrics (using £17,500 average investment per household, aligned with Warm Homes: Local Grant benchmarks):

- 600 million supports approximately **34,000 vulnerable homes**
- Guaranteed minimum £300 annual energy bill saving per household (underwritten by delivery partners) generates **£10.2 million p.a.** in direct bill savings

The table below sets out the high-level annual societal benefits from deploying the full £600 million:

Benefit Category	Annual Value (£m)	Calculation / Basis	Source / Notes
Guaranteed energy bill savings	10.2	34,000 homes × £300 minimum saving (underwritten)	Delivery partner guarantee
NHS cost reductions	26-34	Targeted share of BRE national cold homes burden (£540m p.a. total) applied to this cohort + health-vulnerable focus	BRE 2023, adjusted for intervention depth & vulnerable targeting
Wider societal benefits (reduced care needs, wellbeing, productivity, other fiscal)	40-60	Derived from Warm Home Prescription social value evidence (~£5 social value per £1 invested) with wider impacts calibrated against BRE estimates of the societal costs of poor housing (£135.5bn over 30 years), adjusted to remove separately counted bill savings and NHS impacts	Energy Systems Catapult WHP trials, BRE 2023
Total annual societal benefits	76-104	Sum of above	-

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Key explanations for reconciliation:

- **NHS (£26-34m):** BRE estimates that excessively cold homes cost the NHS £540 million per year in England. This cohort (clinically vulnerable, low-income) represents a disproportionately high-cost segment. The range assumes the programme meaningfully mitigates a targeted 5 – 6% share of the national burden through deep, health-focused retrofits.
- **Wider benefits (£40-60m):** Warm Home Prescription trials show ~£5 in total social value (wellbeing-adjusted life years) per £1 spent on similar households. After netting out the bill savings and NHS components above, the residual wider benefits fall in this range. This is consistent with BRE's broader finding that poor housing generates £135.5 billion in societal costs over 30 years (including £13 billion in NHS savings).

30-year view:

These annual benefits imply a 3-5x societal return on the £600 million investment (undiscounted high-level). On a whole-society basis, this comfortably exceeds the UK Government's cost of capital. The profile is stronger than many able-to-pay segments because health and fiscal multipliers are highest among vulnerable households.

These estimates are grounded in independent evidence cited in DESNZ's own Call for Evidence:

- BRE research (March 2023): Excessively cold homes cost the NHS £540 million p.a.; poor housing generates £135.5 billion in societal costs over 30 years (incl. £13 billion NHS)
- Warm Home Prescription trials (Energy Systems Catapult): Every £1 spent targeting fuel-poor, health-vulnerable households generates approximately £5 in social value

Risk Allocation: Delivery partners as performance assurers

Intermediaries, aggregators and energy service providers will underwrite and take on the performance risk of the £300 minimum savings guarantee. They are best placed to manage underperformance, optimise outcomes across a diversified portfolio of

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households and provide robust assurance to Government. This fully protects vulnerable households while maintaining strong outcome-driven incentives.

Strategic Positioning: A portfolio-managed social investment layer

This £600 million allocation should function as a targeted social investment layer within a structured, portfolio-managed programme. Funding is deployed within the Financial Transactions framework, with performance, risk and value actively managed and balanced across the full £5 billion Warm Homes Fund.

While this layer generates limited direct financial returns or capital recycling at household level, it delivers outsized societal and fiscal value that strengthens the overall Fund's long-term returns to Government.

Strategic Adjustment: Programme-level FT compliance

A whole-fund approach to FT compliance is required:

- Value, performance and risk are assessed across the full £5 billion WHF
- The £600 million pot is treated as a high-impact, high-societal-return component of a diversified portfolio
- More commercially viable (able-to-pay) elements contribute more significantly to direct financial return and recycling targets

This maintains fiscal integrity and FT compliance at the system level while avoiding delivery distortion for the most vulnerable cohort.

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Conclusion

The £600 million allocation for vulnerable households cannot operate effectively if required to function as a conventional Financial Transaction at the individual portfolio level, or if delivery is constrained by repayment mechanisms or tiered offers.

A single, fully protected consumer model, with delivery partners underwriting the £300 savings guarantee, programme-level FT compliance, and portfolio management of value and risk, provides a practical, credible, and FT-compliant solution.

This approach:

- Preserves fiscal integrity at the system level
- Clearly differentiates from grant funding
- Removes barriers and ensures high uptake
- Delivers stronger long-term societal and fiscal returns (£76-104m per year) than many able-to-pay elements of the Fund
- Aligns incentives across Government and delivery partners

It represents a pragmatic application of the Financial Transactions framework, recognising that risk and value must be managed at the system level, not imposed on the households least able to bear it.

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About AgilityEco

AgilityEco is a leading delivery partner in the UK energy efficiency and fuel poverty sector, combining national-scale programme management with deep, frontline insight into the needs of vulnerable households.

In 2024/25, we supported over 45,000 vulnerable homes, delivering £143 million in lifetime energy bill savings through a blend of immediate support, long-term energy efficiency improvements, wraparound services and cross-sector partnerships.

Our 2024/25 [Impact Report](#) evidences the scale and effectiveness of this delivery, highlighting the breadth of households reached and the substantial energy and financial savings achieved across our programmes. It reflects our ability to translate funding into measurable outcomes at scale, while maintaining a strong focus on the most vulnerable consumers.

This is complemented by our national [LEAP \(Local Energy Advice Partnership\)](#) service, which provides holistic, free support to thousands of vulnerable households each year. LEAP delivers energy advice, income maximisation, behaviour change support, small energy-saving measures and referrals into wider retrofit schemes, ensuring immediate and practical help alongside longer-term solutions.

Our proven delivery capability is further demonstrated through our role in supporting the upgrade of over 70% of households recorded in the latest Warm Homes: Local Grant (WH:LG) statistics.

This combination of scale delivery, operational insight and alignment with national schemes positions AgilityEco as a trusted and effective partner for the Warm Homes Plan, including delivery of the £600m Warm Homes Fund for low-income households prioritising the most vulnerable.

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