

Mixed Asset Bundling for Net Zero Investment

Introduction

This briefing note is for a Local Authority/Combined Authority audience to introduce asset bundling **to secure Net Zero investment, minimise public spending and avoid stranded assets.**

Historically, asset bundling referred to the practice of grouping multiple traditional assets (such as roads, schools or housing) into a single package for management, financing, or investment.

The grouping of **mixed asset classes into investment products** has the goal of accelerating progress towards **Local Authority and National UK Net Zero Targets**, creating grouped offerings for investors and securing additional co-benefits.

The [Local Net Zero Accelerator](#) programme is testing the aggregation of bundles of projects to successfully seek investment for the whole bundle. The investment bundle will include multiple net zero assets with a significant proportion being difficult to attract commercial investment in isolation. Further guidance on bundling is being developed with a target publication in early 2026.

Purpose of bundling

- **Efficiency:** Shared planning, procurement, and delivery, reduces costs and improves coordination.
- **Investment Attraction:** Packaging smaller or less attractive assets with more profitable ones, the bundle can become more appealing to investors.
- **Comprehensive and Efficient Decarbonisation:** Without bundling, crucial assets for reaching net zero may not attract investment resulting in grant funding or Council expenditure being required.
- **Risk Distribution:** Financial and operational risks, for example, can be spread across a bundle rather than on a single asset class.

Traditional Non-Net Zero Use Cases

- **Housing and Regeneration Projects:** Bundling vacant properties, housing estates, or regeneration sites into larger investment opportunities.
- **Green Infrastructure:** Combining parks, flood defence systems, and green spaces to attract sustainability-focused funding.
- **Transport Infrastructure:** Grouping roads, cycle paths, and public transport improvements for unified development and maintenance.

Options for Net Zero Investment Bundling

- **Technical/Economic:** Group assets with a technical dependency and complimentary return profiles, for example, external wall insulation and heat pumps.
- **Social/Political:** Pairing assets to deliver wider social objectives and enable a concession agreement to be reached, for example, a community energy investment alongside heat network delivery.
- **Single Sector:** Bundles for transport, heat or power capturing different asset classes across generation and demand side utilising Local Area Energy Plans.

Implementation Models

- **Public-Private Partnerships (PPPs):** Local authorities can partner with private firms to finance, deliver, and manage bundled assets.
- **Strategic Asset Management Plans:** Local authorities map and assess their assets, then develop bundles for investment or transformation.
- **Place-based Approaches:** Bundling assets by geography (e.g. town centres, districts) to deliver coherent, localised growth and industrial decarbonisation plans.
- **Collective Investment Vehicles:** Local Authorities seed capitalise a form of investment fund that enables investors to pool their assets and invest in a professionally managed portfolio of debt and / or equity investments either in traditional or net zero asset classes.

Benefits

- **Access to Capital:** Enables upfront capital receipts or refinancing of debt, helping to fund new projects or balance budgets.
- **Risk Sharing:** Private partners take on operational or market risks, freeing authorities to focus on strategic oversight.
- **Innovation & Expertise:** Private sector can bring technical skills and efficiency improvements.
- **Long-term Value:** Structured properly, bundling can secure long-term maintenance and performance guarantees.
- **Co benefits:** New jobs, social benefits, health benefits and improvement in natural assets.

Challenges

- **Valuation and Legal Complexity:** Each asset may have different legal restrictions, uses, or ownership, making bundling complex.
- **Governance and Accountability:** Transparent decision-making and equitable outcomes for communities must be ensured to work towards a fair net zero transition.
- **Market Interest:** Not all will attract private investors, especially if risk outweighs potential returns.

Step-by-step approach

Asset Identification & Scoping	Assess the suitability and readiness of candidate assets (condition, income stability, legal title clarity).
Valuation & Financial Structuring	Commission independent valuations; determine target capital structure (debt/equity split, credit enhancements).

Procurement & Partner Selection	Run a transparent procurement process (e.g., ITT with full specification, competitive dialogue or flexible framework agreements).
Contracting & Governance	Draft clear performance based contracts with KPIs, price adjustment mechanisms, and termination rights
Implementation, Monitoring & Reporting	Set up joint governance boards; regularly review performance, compliance, and value-for money.

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