

Building the Investment Pipeline

Taking public sector net zero projects in the North West from idea to investment decision

A companion guide to the Hub's *From Projects to Investment* research (2026)

The Investment Pipeline

Turning great ideas into real world impact



NORTH WEST NET ZERO HUB

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About this guide

This guide is a companion to *From Projects to Investment: Financing Public Sector Net Zero*, the North West Net Zero Hub's 2026 report on financing public sector net zero in the North West. The report makes the case for moving from grant-led, project-by-project delivery to programme-led investment, and sets out the finance models that make that shift possible. This guide covers what comes next: how a council builds and runs the pipeline that turns those models into projects investors will fund.

It is designed to be read alongside the report and can be circulated as an annex to it. The pipeline stages and finance gateways in Section 1 are the same as those summarised in Annex A of the report, and the guide expands on three of the report's ten actions for local authorities: building a single corporate pipeline (action 2), matching capital to risk (action 4) and engaging investors early (action 10).

Who it is for

Section 151 officers, finance directors, treasury teams, capital programme leads and green finance or net zero leads in local and combined authorities, together with the partners who work with them on project development.

How it is organised

- **Section 1, From idea to investment decision:** the seven pipeline stages, how to prioritise projects and the five finance gateways.
- **Section 2, From viable to investable:** what has to be true about a project, from the council's side, before it is ready for investors.
- **Section 3, Investor engagement:** who investors are, what they ask and how to engage them at each stage.
- **Section 4, How this guide connects to the report:** where each part of this guide supports the report's actions and toolkit.

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What makes a project investable?

Five things need to be clear before capital can be priced.

01 EVIDENCE	02 ECONOMICS	03 RISK	04 GOVERNANCE	05 CAPITAL
Asset, energy, demand and technical data	Capital, operating costs, revenue and savings	Risk allocation, sensitivities and mitigations	Approvals, ownership, procurement and oversight	Finance route, return and repayment

FROM VIABLE PROJECT → INVESTMENT-READY PROPOSITION

1. From idea to investment decision

A pipeline should move each project through a sequence of stages that progressively reduces uncertainty and increases investability. The seven stages below give every project, whatever its technology or size, a common language for where it stands and what is needed to move it on.

Stage	Question	Minimum output
1. Idea	Is there a credible opportunity?	Asset, strategic fit and initial scale
2. Screened	Is it worth developing?	Initial technical, financial, risk and strategic screen
3. Developed	Can it work?	Feasibility, asset data, demand, grid/heat constraints, risk framework and delivery options
4. Appraised	Does it create public value?	Green Book-aligned five-case appraisal and sensitivity testing
5. Investment Ready	Can capital be priced?	Financial model, risk allocation, procurement route and governance
6. Financing	Can the capital stack be closed?	Term sheets, approvals, contracts and due diligence
7. Delivery	When will it be built and operated?	Contract management, monitoring and performance reporting

The pipeline should be treated as a corporate asset: owned, governed, refreshed and reported in the same way as other strategic programmes.

1.1 Prioritise the pipeline by scale and impact

A successful pipeline contains different types of opportunity. Quick wins build savings and confidence while larger, more complex projects are developed alongside them.

Horizon	Typical projects	Purpose
Immediate	LED lighting, small solar PV, EV fleet electrification	Demonstrate delivery, create savings and build confidence
Medium term	Public-building retrofit, low-carbon heating, larger on-site generation	Create repeatable investment programmes
Strategic	Heat networks, solar farms, storage, community-scale renewable infrastructure	Create infrastructure-scale opportunities and crowd in long-term capital

1.2 Five finance gateways: from development to financial close

Formal finance sign-off should be built into the pipeline at defined points, rather than left as an informal conversation with the finance team before a paper goes to committee. The five gateways below sit on top of the seven stages. A steering group of partners can use the same framework to align objectives, prioritise opportunities and co-design delivery across authorities.

Gateway	What is confirmed	Pipeline stage
1. Strategic sign-off	Strategic fit agreed, Senior Responsible Owner named, project enters the corporate pipeline register	2. Screened
2. Outline business case and finance route	Outline Business Case complete, indicative capital stack and finance route identified, initial CDEL/RDEL and treasury view from the finance team	4. Appraised
3. Full business case and finance director sign-off	Full Business Case complete, finance director questions answered formally, Section 151 sign-off recorded before market engagement or a funding bid is submitted	5. Investment Ready
4. Investment or committee approval	Member or committee approval secured, scheme of delegation exercised, procurement route confirmed, funder due diligence substantially complete	6. Financing
5. Financial close	Contracts executed, conditions precedent satisfied, first drawdown, accounting treatment confirmed with auditors	6. Financing to 7. Delivery

Together, the stages and gateways turn the pipeline from a project-development tool into a corporate investment-control mechanism. No project should reach procurement or financial close without a clear answer on affordability, accounting, risk allocation, funding source and approval route.

2. From viable to investable

This section takes the council's own view: what has to be true about a project, its appraisal, its documentation and its governance before it is genuinely investable, whoever eventually funds it. Section 3 then looks at the same project from the investor's side. The two are kept separate deliberately. Being investable and being invested in are not the same test, and conflating them is a common reason a well-prepared project still stalls.

2.1 The gap between a viable project and an investable one

- **A viable project** delivers a public benefit, meets the council's statutory duties and can be built and operated competently.
- **An investable project** does all of that and also offers a credible, evidenced route to a return, or at minimum a cost-recovery structure, that justifies the capital going in.

Investors also need to see scale. A single retrofit scheme or solar roof rarely reaches the ticket size institutional capital will spend time assessing. An investable proposition shows how the project sits inside a pipeline, aggregated with others and standardised enough that the same commercial model can be reused, so the cost of investing is spread across more than one asset (see section 2.6 of the report).

2.2 The Green Book: appraisal is part of investment readiness

HM Treasury's Green Book appraises public spending proposals through the Five Case Model. A lender or investor will ask much the same questions, so a council that runs the appraisal early, while it can still shape the project, is answering in advance the questions it will face later. Left until a business case needs writing up, appraisal changes nothing about how investable the project is.

Five Case Model	Investment-readiness question
Strategic	Does the project solve a clearly identified local problem and fit the authority's strategy?
Economic	Does the preferred option provide the strongest whole-life public value?
Commercial	Is the delivery model credible and are risks allocated appropriately?
Financial	Is it affordable within the authority's capital, revenue and prudential framework?
Management	Is there the capability and governance to deliver and monitor it?

2.3 A readiness checklist

An investor-ready project should be able to produce the documentation below. It complements the practical checklist in Annex E of the report, which covers the steps a project should have worked through.

- ☐ Asset register and ownership information.
- ☐ Energy consumption and cost data, with clear baselines.
- ☐ Condition surveys and technical feasibility studies.
- ☐ Planning, grid and connection information where relevant.
- ☐ Demand and offtake evidence.
- ☐ Capital and operating cost assumptions.
- ☐ Revenue, savings and repayment model.
- ☐ Risk register and proposed mitigations.
- ☐ Procurement and contractual strategy.
- ☐ Governance and approval pathway.
- ☐ Environmental, carbon and social-value outcomes.
- ☐ Monitoring, verification and reporting arrangements.

2.4 Governance that investors can trust

Each programme should have a named Senior Responsible Owner, clear Section 151 sign-off, an agreed scheme of delegation and appropriate member or committee oversight. Where green-labelled finance is used, recognised frameworks such as the ICMA Green Bond Principles or the Loan Market Association's Green Loan Principles support transparency.

For performance-based contracts, energy and carbon savings should be measured against a recognised protocol, such as the International Performance Measurement and Verification Protocol (IPMVP), where appropriate.

2.5 When a project underperforms

Plan for what happens when things go wrong. A stress test means little without a response plan that protects the authority.

- **Distinguish a shortfall from a failure.** Energy prices change, a heat pump underperforms its rated efficiency, a contractor misses a completion date. None of this is unusual, and a well-built financial model has already priced it into its sensitivities. The governance question arises only when performance falls outside the range the model was tested against, and the authority then needs a pre-agreed answer rather than an improvised one.
- **Agree the terms before financial close.** The checklist in section 2.3 asks for a risk register and monitoring and verification arrangements for this reason. A council that can point to specific termination rights, indexation terms and performance guarantees in a signed contract negotiates from a position of strength.
- **Use the full range of responses.** Renegotiation, step-in and termination are a spectrum, and moving straight to the most severe option is rarely right. Renegotiating pricing or milestones keeps the relationship intact where the asset is still sound. Stepping in, by bringing delivery in-house or to a replacement contractor under existing step-in rights, suits cases where the counterparty rather than the asset is the problem. Termination is the last resort.
- **Aggregation helps.** A single-asset project that underperforms has nothing to absorb the shock, and the shortfall lands in full on one budget line. In a portfolio, one underperforming asset is diluted across several better-performing ones, which makes aggregation a risk-management argument as well as a financing one.

A proportionate response to underperformance

Move through the response ladder before escalating, and use the portfolio to absorb shocks.

01 MONITOR	02 RENEGOTIATE	03 STEP IN	04 TERMINATE
Track performance against agreed baselines	Adjust pricing, milestones or terms where viable	Use contractual rights where the counterparty fails	Exit where the asset or contract cannot recover

Portfolio effect: aggregation can dilute the impact of one underperforming asset across better-performing assets, making portfolio design a risk-management tool as well as a financing tool.

3. Investor engagement: from investment ready to investment

Being investment ready and being invested in are not the same thing. This section sets out how a council moves from the first to the second: when to start talking to investors, who they are, what they ask and how to build a proposition that draws them in.

3.1 Start early

- **Test the proposition before financial close.** Testing a proposition against investor requirements while the project is still being developed, around the Screened and Developed stages, is far cheaper than discovering a structural problem later.

- **Feed back while the project can still change.** Early investor feedback can still shape scale, structure, risk allocation and returns. Feedback gathered at the Financing stage can only be worked around.
- **Treat early rejection as information.** A revenue mechanism, risk allocation or capital structure that looks reasonable on paper often draws a specific objection once a real investor examines it. Surfacing that at the Developed stage costs a redesign; surfacing it at the Financing stage can cost the deal.

3.2 Know your investor

Different sources of capital want fundamentally different things, and treating investors as one audience is a common reason a well-prepared proposition fails to land.

Investor type	What they want
Public and concessional capital	The National Wealth Fund and similar bodies. Patient, catalytic capital seeking positive returns across a portfolio rather than on every deal, deployed to mobilise private co-investment.
Institutional investors and infrastructure funds	Pension funds, including LGPS pools, and infrastructure funds seeking stable, often inflation-linked returns over 20 to 30-year horizons. Best suited to operational assets with contracted income.
Banks and debt providers	A market-rate, risk-adjusted return, with predictable cash flow, creditworthy counterparties and enforceable security.
Energy companies and utilities	May invest as an offtaker, co-developer or from their own balance sheet, often looking for a strategic or supply-chain benefit alongside financial return.
ESCO and EaaS providers	Capital-light delivery models, taking on performance risk in exchange for a service fee or shared savings rather than a conventional debt or equity return.
Community and local investors	Community shares, Community Municipal Investments and other local capital, prioritising local benefit and ownership alongside a fair return. Great British Energy's community-focused products are policy-driven in a similar way, though several are still in development (see Annex C of the report).
Strategic and corporate investors	Capital plus a specific reason to invest in this place or sector, such as corporate partners with a decarbonisation mandate, for whom strategic fit matters as much as return.

3.3 What investors ask, compared with a Section 151 officer

Section 2 set out the council's own test. An investor's test is different. A Section 151 officer asks whether the authority can afford and prudently carry the commitment. An investor asks whether they will get their money back, and on what terms. Expect these questions:

- What is the size of the opportunity, both this project and the pipeline it sits within?
- What is the revenue or cash-flow model, and what specifically pays it?
- What risks remain, and who carries each one?
- Who owns and controls the asset over its life?
- What return is available, and to which tranche of capital?
- What is the investment term?
- What contracts underpin the income?
- What happens if the underlying assumptions change?

- Can the opportunity be scaled or aggregated beyond this single project?
- What is the exit or refinancing route?

A proposal that cannot answer one of these is not yet investment ready, whatever stage the pipeline register says it has reached.

3.4 How investors weigh up risk and return

Investors, whether the National Wealth Fund, a commercial lender or an LGPS pool, do not score risk and return separately and add them up. They judge whether the return on offer justifies the specific risks in front of them. Two consequences follow that many business cases miss.

- **Pitch to the right capital.** Each type of investor in section 3.2 prices different things. Presenting a proposition to the wrong investor can undermine an otherwise sound project.
- **Address every category of risk.** Finance directors and investors alike separate technical risk (has the model been stress-tested against the variables that matter, such as wholesale price, discount rate and cost overruns), balance sheet risk (where do the capital and revenue implications land, and has off-balance-sheet treatment been tested rather than assumed) and treasury risk (does the structure fit the authority's Treasury Management Strategy). A business case that addresses all three, not only the parts that look strongest, does part of the investor's diligence for them and reads as far more credible.

3.5 Investor engagement by project stage

Engagement should run through the whole life of a project, becoming a more structured relationship with specific investors as the project matures.

Pipeline stage	Investor engagement action
1. Idea	Approach investors informally for soundings on whether they would consider the idea.
2. Screened	Screen investors for genuine interest and appetite against the emerging revenue and risk profile.
3. Developed	Test specific commercial models against real investor feedback, not assumptions.
4. Appraised	Validate the assumptions underpinning the Green Book case with the investors most likely to fund it.
5. Investment Ready	Present a structured investor proposition.
6. Financing	Complete due diligence and agree term sheets with the shortlisted capital providers.
7. Delivery	Manage the ongoing investment and performance relationship, not just the transaction.

4. How this guide connects to the report

This guide expands on the ten actions for local authorities in Chapter 7 of *From Projects to Investment* and on the finance professional's toolkit in its Annex A. The table shows where each part of the guide supports the report.

Report reference	What it asks of councils	Where this guide helps
Action 1. Make aggregation the default	Bundle projects to reach investable scale	Sections 2.1 and 2.5
Action 2. Build a single corporate pipeline	A common pipeline with defined stages and decision points	Section 1
Action 4. Match capital to risk	Capital mix documented and signed off at Gateway 2	Sections 1.2 and 3.2
Action 8. Test off-balance-sheet models carefully	Accounting and legal treatment validated before commitment	Section 1.2 (Gateway 5) and section 3.4
Action 10. Engage investors early	Investor engagement from the Screened stage onward	Section 3
Annex A. Finance professional's toolkit	Five questions, three hurdles and a minimum financial model	Sections 2.2, 2.3 and 3.3
Annex E. Practical checklist	The steps a project should have worked through	Section 2.3

The report explains why councils should finance portfolios rather than individual projects. This guide is about how: the pipeline, the approvals and the investor relationships that let that finance flow.