



From Projects to Investment

Financing Public Sector Net Zero

A practical guide to turning the public estate, solar and heat network opportunities in the North West into investable programmes



NORTH WEST NET ZERO HUB

September 2026

Green Finance Lead: Ciara Shannon

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Executive summary

The North West does not lack net zero ambition, projects or public sector assets. The harder challenge is turning those assets into investment propositions that can attract long-term capital at the scale required.

This report makes a practical case for moving from grant-led, project-by-project delivery towards programme-led investment. The central proposition is simple: local authorities should treat decarbonisation as a long-term investment programme, not a series of isolated funding bids.

The shift is from financing projects one at a time to financing portfolios

The opportunity and scale is significant. The Hub's North West Clean Power Report (2025) identifies £2.6bn of onshore clean power investment, £3.6bn in power distribution networks, £12bn of offshore wind investment in the Irish Sea and £2.5bn of nuclear R&D across the regional pipeline. Decarbonising the North West public building estate is estimated to require more than £15bn.

At the same time, the policy environment is changing. Great British Energy (GBE), the Local Power Plan, the Warm Homes Plan and Fund, the National Wealth Fund (NWF), and wider devolution are creating more routes to recyclable, blended and locally structured capital. These mechanisms require projects to be prepared differently: with clearer revenue models, risk allocation, governance, data and long-term pipelines.

The North West is well placed to lead this shift. Between 2020 and 2025 it secured more than £480m through national retrofit programmes, around 14% of allocations nationally. The region received a total of 26.5% of the most recent Warm Homes: Local Grant. Greater Manchester's £6.2m Local Net Zero Accelerator is testing how development funding can create a £1bn-plus investable pipeline, while combined authorities such as Liverpool City Region have explored revolving low-carbon finance mechanisms, and Greater Manchester's Retrofit Task Force demonstrates aggregation at programme scale.

About this report

The North West Clean Power Report (2025) set out the scale of the region's clean energy opportunity. This report addresses the practical question that follows: how do local authorities finance, prepare and aggregate place-based net zero projects so that they can attract investment? This report focuses on public estate decarbonisation, retrofit, public building solar and heat networks. It does not attempt to cover the whole energy system or the full economic opportunity of the North West. The policy position reflected here runs through August 2026, including the Local Power Plan published in February 2026 and the Warm Homes Fund Call for Evidence, which closed on 1 June 2026. Programme guidance may continue to develop through 2026.

Aims

- Provide green finance policy knowledge transfer on place-based investing in retrofit, public buildings, solar and heat networks, including pipeline development and investment readiness.
- Raise awareness of good practice through case studies.

Five priorities for action

The priorities below answer the gap that runs through this report: councils tend to bring forward one-off, grant-led projects, while investors want visible pipelines, credible revenue streams and deals large enough to justify due diligence. Each priority builds on approaches already working in the region, such as the Greater Manchester Retrofit Task Force bundling 150 buildings into a single £78m PSDS award.

1. **Aggregate projects by default.** Bundle buildings, housing, solar, heat, storage and other compatible interventions to reach scale, reduce transaction costs and diversify risk.
2. **Build investable pipelines, not lists of projects.** Treat the pipeline as a corporate asset, with clear development stages, data, governance, delivery routes and investment requirements, and a named revenue or savings stream for every project from the outset. A viable project is not automatically an investable one, so use Green Book appraisal as part of investment readiness rather than as a compliance step. Engage investors early and by type, rather than as a single pitch once a project is finished and agree in advance how underperformance is handled so a setback doesn't cost an investor's confidence along with the money.
3. **Use public capital for additionality.** Grants, concessional debt and public borrowing should be used where they remove market failure, close viability gaps or crowd in private and community capital, including through Community Municipal Investments and community shares.
4. **Match the finance model to the asset.** Direct borrowing, green loans, EaaS, EPCs, PPAs, SPVs, revolving funds, community capital and blended finance each have different risk and revenue characteristics. Test off-balance-sheet models carefully, validating their accounting, legal and affordability implications before committing. Where repayments or savings allow, recycle capital into the next phase rather than starting a new funding process each time.
5. **Create the institutional machinery to deliver.** Standardised business cases and commercial models, technical capacity, procurement routes and regional aggregation are as important as the finance itself.

Chapter 7 sets out ten actions for local authorities, each with an owner, timescale and success measure. As part of this report, the user-friendly companion guide ***Building the Investment Pipeline*** expands on three of the priorities: building a single corporate pipeline, matching capital to risk and engaging investors early. It takes councils through the seven pipeline stages and five finance gateways that move a project from idea to investment decision.

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PART ONE – The investment opportunity

Chapter 1. From net zero ambition to investable programmes

1.1 A portfolio approach

Local authorities occupy a distinctive position in the net zero economy. They own buildings and land, control or influence planning, procure services, convene partners and can shape how private capital enters local markets. They also face considerable constraints that make decarbonisation difficult: tight capital and revenue budgets, competing statutory priorities, skills shortages and stop-start funding.

The result is a familiar pattern. A council identifies a viable solar roof, a leisure centre retrofit, a heat network opportunity or a portfolio of homes. A grant becomes available. A bid is prepared. The project is delivered. Then the cycle starts again. The individual project may be successful, but the system remains dependent on episodic grant funding.

The problem is not that the projects are too small. It is that they are usually presented one at a time.

Investors want something different. They want visibility of the pipeline, confidence in the counterparty, a credible revenue stream, standardised contracts, evidence that technical risks have been assessed, and a transaction large enough to justify the cost of due diligence.

A portfolio can provide those characteristics where an individual project cannot.

1.2 The North West has the ingredients

The North West has mature delivery institutions, including the Greater Manchester and Liverpool City Region Combined Authorities, joined in February 2026 by new Combined Authorities for Cheshire & Warrington and Cumbria. The region has strong housing associations and social housing consortia, established energy service companies, shared procurement frameworks, specialist advisers and a growing network of lenders and investors.

- More than £480m secured through national retrofit programmes between 2020 and 2025.¹
- A significant share of the most recent Warm Homes: Local Grant was awarded to the North West.
- Greater Manchester's £6.2m Local Net Zero Accelerator testing a £1bn-plus investable pipeline.²
- Greater Manchester's Retrofit Task Force demonstrating multi-organisation aggregation.³
- Liverpool City Region's Solar Together and Mersey Heat programmes.⁴
- Westmorland and Furness Council's Sandscale solar project demonstrating direct public ownership and operation.⁵

¹ North West Net Zero Hub, North West Clean Power Report (2025).

² North West Net Zero Hub, North West Clean Power Report (2025).

³ North West Net Zero Hub, North West Clean Power Report (2025).

⁴ North West Net Zero Hub, North West Clean Power Report (2025).

⁵ North West Net Zero Hub, North West Clean Power Report (2025).

- Greater Manchester Pension Fund (GMPF), the UK's largest LGPS fund, allocating around £1.5bn to local investment in Greater Manchester and the wider North West (see section 2.8).⁶

The opportunity is to connect existing capability to a more disciplined investment process.

Case Study 1: The Greater Manchester Net Zero Accelerator (LNZA) is a £6.2 million DESNZ-funded programme designed to close the gap between Greater Manchester's net zero ambition and delivery, supporting progress towards its 2038 carbon neutral target. It focuses on creating credible, investable pipelines of place-based net zero projects and unlocking private capital alongside public funding by addressing key barriers such as early stage development risk, fragmented projects, and high delivery costs.

The programme operates across regional, district and neighbourhood scales, spanning sectors including heat networks, retrofit, renewable energy, storage and low-carbon transport, and is structured around three core accelerators: Projects (building and de-risking pipelines), Places (embedding net zero into regeneration and tackling fuel poverty), and Innovation (reducing costs and accelerating adoption of new technologies and models). Together, these interventions aim to strengthen GMCA's delivery and investment capacity, test scalable commercial and financing models, and lay the foundations for a long-term, mission-led net zero investment approach.⁷

Case Study 2: Current funding across Enterprise Cheshire and Warrington's (ECW) net zero projects remains largely grant and balance-sheet driven. Warrington's Own Buses electrification was delivered through £21.5m of ZEBRA funding, with the depot funded separately by the council, the Towns Fund and the Getting Building Fund. Cheshire East's 4.1MW Leighton Grange solar farm is wholly self-funded, with revenue from direct sale to Biowise and the grid, a council-owned model with no external capital layer.

The Hub's SPARK-funded HGV EV Charging Hub feasibility work, commissioned through ECW, builds blended finance into its evidence base by comparing a fully-funded Charge Point Operator financial model against local authority ownership, with a view to public-private capital structuring. The Cheshire & Warrington Outline Energy Plan, also ECW-commissioned and feeding into the NESO Regional Energy Strategic Planning process, is intended to create a systematic investable pipeline, determining whether future schemes can move from grant dependency toward blended finance combining public capital, land and offtake commitments with private investment in delivery.

⁶ The Good Economy, "A Blueprint for Britain? How GMPF's Local Investing is a Powerful Catalyst for Regional Growth," 2025 Place-Based Impact Report; GMPF, "How does GMPF invest?". Available at www.gmpf.org.uk/about/how-does-gmpf-invest

⁷ Greater Manchester Combined Authority, "Net Zero Accelerator & Devolution Deal Update," Green City Region Partnership committee papers, January 2025. Available at <https://democracy.greatermanchester-ca.gov.uk/mgConvert2PDF.aspx?ID=35517>

Case Study 3: Mersey Tidal Power Liverpool City Region Combined Authority is developing what would be the UK's first large-scale tidal range scheme, a barrage across the River Mersey generating up to 700MW from 28 turbines, with an operational life of up to 120 years. The Combined Authority's £10bn Growth Plan, published in October 2025, positions the project as a flagship, backed by £70m of development funding secured to make the scheme shovel ready and investible by 2028. Estimates of total project cost range from around £3.5bn to £6bn. As of January 2026, the Final Investment Decision for construction has been pushed back from 2028 to 2030, reflecting the scale of government funding commitment still required before the project can proceed. This is not yet a financed case study. It illustrates the scale of pipeline the region is building towards, and the public development capital a project of this size needs before private and blended capital can follow.

1.3 The evolving role of public money

Several national programmes are directing local authorities towards a different financing model, one where public money's job shifts from grants and paying for assets outright to making other capital possible.

- Great British Energy (GBE) is delivering the Local Power Plan, which commits up to £1 billion to more than 1,000 local and community-owned clean energy projects by 2030, through a Local Product Portfolio of grants, loans and direct investment due to launch in full in autumn 2026. For local authorities the sequencing matters: early grant funding targets feasibility and development risk, while loans and direct investment are held back until projects can support commercial capital (see Annex C).⁸
- The Warm Homes Fund is structured as Financial Transactions, meaning capital is intended to be deployed through loans or other repayable instruments rather than conventional grant funding, a similar shift from one-off award to recyclable capital, covered in Chapter 4.
- The National Wealth Fund has £19.4bn remaining to deploy by 2030/31 out of its £27.8bn total capitalisation and targets a portfolio-level private capital mobilisation ratio of 1:3, meaning every pound of its own capital is deployed specifically to draw in three pounds of private investment behind it.

None of these remove the need for public money. They change what that money needs to do.

Where a grant once covered a project's entire capital cost, the more valuable intervention is now often narrower:

- **Development finance:** covering early feasibility and design costs, where risk is highest and private appetite lowest.
- **First-loss protection:** absorbing a portfolio's initial losses so senior private capital is cushioned.
- **Cornerstone investment:** an anchor commitment that signals confidence to co-investors.
- **Guarantees:** underwriting a specific risk, such as revenue shortfall or counterparty failure, without providing capital.

⁸DESNZ and Great British Energy (2026) Local Power Plan, February 2026. Available at: <https://www.gov.uk/government/publications/local-power-plan>

- **Enabling infrastructure:** funding grid connections, site preparation or shared assets that unlock a wider pipeline.
- **Aggregation:** bundling smaller projects into portfolios large enough for institutional capital (see section 2.6).

Example: Enabling infrastructure

Cumberland Council is investing £15m to improve road access to the council owned Port of Workington, upgrading the A66/A596 junction at Ramsay Brow. The port already serves as the operations base for the Robin Rigg offshore wind farm in the Solway Firth, and a sixth of the UK's offshore wind generation sits in waters off the Cumbrian coast. This is public money performing the enabling-infrastructure function directly, funding the site access that makes a wider pipeline of offshore wind investment viable, rather than financing a single project outright.

The practical test for a finance team is no longer "is there a grant for this," but "which of these six functions does public money need to perform here, and is a grant actually the right instrument for it."

1.4 The three barriers to investment

Local authorities face multiple barriers to investing in decarbonisation. Capital and revenue budgets are tight and separate, so a council often cannot draw on next year's savings to justify this year's spend, even where the invest-to-save case is strong. Statutory duties, social care, housing, safeguarding, compete for the same limited headroom and routinely win. And most authorities have never needed to build the specialist commercial and investment capability a private developer takes for granted, because grant funding has not required it. These constraints do not disappear once a project is technically sound, they are what determine whether that project can actually be brought to market.

The three barriers below are not specific to any one technology or authority. They recur across retrofit, solar, heat networks and the public estate alike, which is why they are set out here as a shared framework rather than repeated separately in each chapter.

Barrier	What this means	What fixes it
Unclear pipeline	Projects are developed opportunistically and investors cannot see what comes next.	A multi-year, prioritised pipeline with common data, stages and governance.
Development finance gap	Risk is highest before planning, procurement, technical design and revenue certainty.	Public or concessional development capital, technical assistance and de-risking.

Barrier	What this means	What fixes it
Cost and adoption barriers	Low-carbon solutions can have high upfront costs or uncertain uptake.	Aggregation, standardisation, guarantees, demand aggregation, consumer finance and appropriate risk sharing.

PART TWO – What sustainable finance means for local authorities

Chapter 2. Sustainable finance in practice

This chapter explains how sustainable finance operates in practice for local authorities. It clarifies the interaction between assets, expenditure controls, borrowing powers and finance routes, and sets out how councils can prudently deploy a wider range of financing mechanisms to support decarbonisation at scale.

For local authorities, sustainable finance in practice means deploying financial tools and investment strategies to deliver long-term public value alongside environmental and social outcomes. The term is often associated in the corporate world with ESG frameworks built for shareholder reporting, but for a council, the same underlying objective looks different in application, it is chiefly about structuring existing statutory powers, asset bases and revenue streams into investable, repeatable programmes that work within public sector controls and accountability requirements.

2.1 Integrating decarbonisation into core capital and asset strategies

Upfront capital expenditure and future operational savings do not always sit in the same budget, which can make an economically attractive invest-to-save project difficult to approve. Off-balance-sheet or performance-based models can address part of this problem by moving capital provision, construction or operational performance risk to a third party, subject to the accounting caution set out in Annex A.

2.2 What makes a public sector project investable?

With the closure of the Public Sector Decarbonisation Scheme (PSDS) in 2025, local authorities are being encouraged to integrate decarbonisation into core capital and asset management strategies. This represents a shift from competitive grant bidding towards structured, multi-year investment programmes.

A project becomes investable when an investor can understand what is being financed, who is responsible for delivery, what the return on investment is, where repayment comes from, what could go wrong, who carries each risk, and how the investment can be governed over its life, the same test as the five questions in Annex A, applied here at portfolio level.

The Green Book: appraisal as investment readiness

HM Treasury's Green Book sets out how public bodies appraise spending proposals, using the five-case model: strategic, economic, commercial, financial and management. Councils often treat it as a compliance step for securing approval or grant funding. Used earlier, it does more. The economic case tests whole-life public value, the commercial case sets out procurement and risk allocation, and the financial case shows affordability and how the capital will be repaid. These are the same questions a lender or investor will ask (see Annex A).

A well-appraised project is not automatically investable. The Green Book tests whether a proposal is good value for public money. An investor tests whether its returns, risk allocation and scale fit their mandate. Closing that gap means engaging investors early, while a project can still be reshaped around what they need, and agreeing up front how underperformance will be handled once capital is committed: how risk is shared, what triggers a review and who signs off the response.

2.3 Public capital and additionality

Public borrowing through the Public Works Loan Board (PWLB), National Wealth Fund finance and grants can all play a role.

The key question is not simply whether public finance is cheaper. It is whether it is being used where it has the greatest additionality.

This may mean financing enabling infrastructure, early-stage development, connection costs or the part of a portfolio that private capital is least willing to take. Patient or concessional capital improves the risk profile sufficiently for senior private finance to enter on commercial terms.

2.4 The Treasury “yield” rule

Worth knowing about is that under revised HM Treasury and PWLB lending terms, local authorities are prohibited from borrowing primarily to purchase assets for commercial yield or profit. However, this restriction is aimed at speculative commercial property, not decarbonisation activity. The Local Government Association's own guidance⁹ is explicit that generating electricity proportionate to a council's needs, in line with meeting decarbonisation goals, is not an activity primarily for commercial gain.

2.5 An investment portfolio

The public estate should be managed as an investment portfolio with a pipeline, not as a series of one-off capital bids.

⁹ Source: www.local.gov.uk/sites/default/files/documents/Renewable%20Energy%20Good%20Practice%20Guidance%20Refresh%20Feb%202023_%20Final%20AA.pdf

Structuring investment through a portfolio held in a council-owned SPV, rather than financing a single revenue-generating asset in isolation, is the most established way to evidence compliance with the yield rule.

2.6 Aggregation as a finance strategy

Aggregation changes the economics of investment. Bundling reduces transaction costs, allows standardisation, diversifies technical and demand risk, smooths payback profiles and can create a ticket size that institutional capital can consider.

- Bundle short- and long-payback measures so that the portfolio is not dominated by the weakest individual asset.
- Standardise technical specifications, contracts and monitoring requirements wherever possible.
- Create repeatable procurement routes rather than designing a new commercial structure for every building.
- Use portfolio-level data and performance monitoring so that lenders can assess the whole programme.
- Allow different sources of capital to participate in different parts of the portfolio.

A larger, aggregated portfolio also improves the overall risk-return profile by spreading exposure across multiple assets. This diversification matters particularly to debt providers, since it supports stronger credit characteristics and can lower the overall cost of capital.

Investors are generally more attracted to portfolios that demonstrate the potential for replication and growth than to one-off schemes. Aggregation positions a programme as the foundation of a scalable pipeline, which is significantly better aligned with the investment strategies of infrastructure funds and pension capital.

Aggregation shows up at different stages. The first three examples below pool procurement and design before any financing decision is made; the fourth pools multiple funding sources behind a single portfolio once financing is already underway.

Example (procurement aggregation): Liverpool City Region used Solar Together to aggregate demand, with more than 1,000 domestic installations and around £9m of private investment. The demand-aggregation and procurement mechanism is primarily an enabling and procurement route rather than a council finance product, but it shows the power of aggregation.¹⁰

¹⁰ Source: www.nwnetzerohub.org.uk/liverpool-city-region-2/

Example (procurement aggregation): London's RE:FIT programme also illustrates aggregation. Rather than each public body negotiating its own retrofit contract, RE:FIT provides pre-negotiated, standardised framework contracts through a pool of pre-qualified energy service companies and explicitly allows buildings to be grouped together for retrofit rather than procured one at a time. An early tranche delivered against this framework covered around 460 buildings for a combined investment value of roughly £68.6 million, savings that would have been far harder to achieve, and finance far harder to attract, building by building.¹¹

Example (procurement aggregation): Greater Manchester Combined Authority's Powering our Schools Phase 1 pooled the design and quotation process for 35 schools, allowing procurement, contracting and service delivery to be run consistently across the group rather than school by school, on the principle that aggregating demand would also make solar costs more competitive. Of the 35, 15 have gone on to installation so far, and the programme has no dedicated finance provision attached. Even without a financing structure yet in place, the example shows aggregation paying off earlier than the point of finance, at design and procurement, where pooling schools together already lowers transaction costs and improves consistency of delivery.

Example (funding aggregation): In the Liverpool City Region, a £50m PSDS-funded programme to decarbonise 35 public buildings has been paired with a further £1.45m secured through the Mayoral Renewables Fund, adding 1.2 MW of solar PV across 14 of the same buildings. Running the two funding routes against a shared building portfolio, rather than as separate projects, is itself an aggregation choice: it lets one pipeline of assets draw on more than one source of public capital.¹²

2.7 Strategically splitting generation across multiple revenue tranches

Relying on a single revenue source, particularly wholesale export at prevailing market prices, leaves a portfolio exposed to price volatility it cannot control. Splitting generation across the three tranches below gives a portfolio more predictable income:

- **A sleeved Power Purchase Agreement (PPA) to the council's own estate.** Electricity is supplied directly against the authority's own consumption, providing the most stable and policy-aligned revenue stream and reinforcing the case that the asset serves a decarbonisation purpose rather than a commercial one.
- **Fixed-price corporate PPAs to local anchor institutions or businesses.** Longer-term contracts with hospitals, universities or major local employers lock in a known price over a multi-year term.
- **A smaller merchant tranche sold at prevailing market rates.** A limited portion of output is sold into the wholesale market at the going rate, giving the portfolio some exposure to market price without making the whole revenue base dependent on it.

¹¹ London's Building Retrofit Programme. RE:FIT, CITYnvest, http://citynvest.eu/sites/default/files/library-documents/Model%203_London%20Building%20Retrofit%20Programme_final.pdf

¹² Source: www.nwnetzerohub.org.uk/liverpool-city-region-2/

2.8 The main finance routes

No single finance route fits every project. The right choice depends on the asset type, how certain the revenue is, whether the structure sits on or off the balance sheet, and the authority's own borrowing headroom.

The table below summarises the finance routes referenced throughout this report: what each is best suited to, its core advantage, and the main question a finance team should test before committing to it.

Finance route	Best suited to	Core advantage	Main issue to test
Council capital / PWLB	Established public assets and invest-to-save programmes	Low-cost, long-tenor finance and control	Affordability, prudential borrowing and capital headroom
National Wealth Fund	Larger strategic portfolios and infrastructure	Long-term public finance and crowding-in capability	Scale, eligibility, project readiness and structure
Green / sustainability-linked loans	Portfolio retrofit and decarbonisation	Familiar debt structure; can link pricing to performance	Borrower strength and credible KPIs
Energy-as-a-Service	Solar, heat pumps, batteries and energy services	Little or no upfront capital; transfers performance risk	Long-term contract, classification and provider credit risk
Energy Performance Contract	Building energy efficiency and integrated retrofit	Performance-linked repayment and risk transfer	Contract design, baseline and measurement
PPA / Solar-as-a-Service	Public building solar and storage	Predictable electricity price without upfront capital	Tenor, termination, indexation and asset ownership
Revolving fund	Phased retrofit and repeatable measures	Recycles repayments into future projects	Initial capitalisation and governance
Non-recourse / SPV	Heat networks and revenue-generating infrastructure	Ring-fences project risk and supports project finance	Complex structuring and robust revenue contracts

Finance route	Best suited to	Core advantage	Main issue to test
Blended finance	Projects with viability gaps or multiple objectives	Combines public, private and community capital	Structuring, state-aid/subsidy and governance considerations
Community finance	Local renewables and place-based assets	Local ownership, legitimacy and wealth retention	Investor proposition, regulation and transaction capacity
LGPS pension funds	Large-scale, long-horizon infrastructure and regeneration	Patient, long-duration capital with inflation-linked returns	Fiduciary duty and mandate fit

Example: Greater Manchester Pension Fund (GMPF), the UK's largest Local Government Pension Scheme fund, allocates 5% of its assets, around £1.5bn, to a Local Investment portfolio targeting Greater Manchester and the wider North West, with more than £1bn already invested. Its GLIL Infrastructure joint venture, backed by Northern LGPS partners including Merseyside and Lancashire, invests directly in North West infrastructure, including the Haweswater Aqueduct Resilience Programme, alongside UK renewable energy assets. This illustrates the route's core trade-off: LGPS capital is patient and long-duration, but a council or partner seeking it needs a proposition that fits an existing local or impact mandate, not a bespoke pitch built from scratch.¹³

Example: Energy as a Service (EaaS)

In 2024/25, NHS trusts had **£15.9 billion of backlog maintenance**.

Guy's and St Thomas' NHS Foundation Trust launched an Energy as a Service (EaaS) procurement, aiming to scale up to £2 billion of investment to decarbonise and modernise its estate.¹⁴ In July 2026, the Trust signed a single-supplier Strategic Energy Partnership with global infrastructure investor Meridiam, with Dalkia UK Energy Services delivering the first project, a new heating and energy system replacing ageing infrastructure at St Thomas' Hospital. Under the model, Meridiam designs, finances and owns the equipment, and the Trust pays for the energy outcome rather than funding the capital itself. The framework is technology-agnostic, covering heat, cooling, power and charging infrastructure, and has been structured so that other NHS trusts, Integrated Care Boards, local authorities, London boroughs and Greater London Authority bodies can access the same model without running their own procurement.

EaaS value is in creating a commercial model that can fund and manage energy infrastructure investments, while capturing the wider value of decarbonisation, resilience and long-term energy optimisation.

¹³ GLIL Infrastructure, www.lppi.co.uk/investments/our-partnerships/glil-infrastructure/; Local Pensions Partnership, www.localpensionspartnership.org.uk/Investment-management/GLIL-Infrastructure

¹⁴ Source: <https://www.guysandstthomas.nhs.uk/news/guys-and-st-thomas-announce-new-energy-partnership-0>; framework value of £2 billion per tender notice

2.9 Community Municipal Investment (CMI): an overview

A Community Municipal Investment, or CMI, is a bond or loan issued by a local authority directly to members of the public, arranged and administered through a regulated crowdfunding platform. In the UK, that platform is Abundance Investment, authorised and regulated by the Financial Conduct Authority.

A CMI is not a new borrowing power. It is prudential borrowing under the Local Government Act 2003 and the CIPFA Prudential Code, structured as a loan to the council and sold to retail investors from as little as £5 per person. It sits inside the same Treasury Management Strategy and Capital Strategy as PWLB debt and it is reported through the same channels.

The model was first developed in 2019 through the Financing for Society project at the University of Leeds, funded by DCMS, with West Berkshire Council and Warrington Borough Council launching the first two schemes in 2020. It revives a form of municipal finance that was common in the nineteenth and early twentieth centuries, when around 15 per cent of local authority borrowing came directly from individual citizens.¹⁵

19 councils have launched a CMI since 2020, raising over £30 million. Nearly 3,000 citizen investors have taken part, with institutional co-investors providing around half of the capital.¹⁶ Every issue to date has priced below the PWLB certainty rate, at an average saving of around 29 basis points, net of platform costs.

Research published by the Green Finance Institute and University of Leeds (September 2026) tests how far this could scale, using a decade of PWLB rate data. Two findings stand out.

First, on reliability: over that decade, a CMI's rate would have come in cheaper than the PWLB certainty rate on about 89 out of every 100 of those days, so the saving is not a fluke of current rates.

Second, on scale: offering just two loan lengths, 5 and 10 years, could already cover up to 42 per cent of councils' active borrowing, worth around £2.3 billion a year and up to £47 million in savings over the life of that borrowing. Adding two longer tenors, out to 20 years, would lift that to 58 per cent of councils, £2.9 billion a year and up to £76 million in lifetime savings. None of this needs new legislation; it works within the existing prudential borrowing framework.¹⁷

The scale of headroom is larger still. UK households hold around £2.4 trillion in direct-to-consumer savings and investments, more than local authorities' annual borrowing needs. The report's framing is that CMIs could evolve into a local-government equivalent of NS&I: a durable, citizen-backed source of affordable finance sitting alongside existing borrowing channels rather than replacing them.

Why councils use it

- **Cost:** the average saving of around 29 basis points is broadly £5,800 a year on a £2m raise, a saving the sector frames as competitive rather than transformative.
- **Diversification:** it is a second channel of capital alongside PWLB debt, reducing exposure to gilt-market volatility and to changes in central government lending policy, and giving a council more than one route to the market.

¹⁵ Financing for Society project, University of Leeds, funded by the Department for Culture, Media and Sport; Local Government Association case studies.

¹⁶ University of Leeds, "Climate crowdfunding initiative hits £30 million milestone". Available at: <https://www.leeds.ac.uk/news-1/news/article/5830/climate-crowdfunding-initiative-hits-30-million-milestone>

¹⁷ Green Finance Institute & University of Leeds, "Community Municipal Investments (CMIs), Bringing the Benefits of NS&I to Local Government" (September 2026).

- Genuine citizen engagement and trust: gives residents a direct financial stake in a named, communicable project (solar on named buildings, a retrofit programme, an EV charging rollout), and several councils report a more favourable public view of the council as a result.
- Accessibility: a £5 minimum, no investor fees, and the same rate for everyone regardless of investment size, opening investing to people who would not otherwise consider it.
- A strong risk record: no UK council has ever defaulted on a CMI, and because the loan is backed by council revenues rather than project performance, investors do not carry project-specific risk.
- Proven to scale: Bristol and Southwark have both moved from a single raise to repeated issuance, the London Borough of Hammersmith and Fulham has raised six loans and saved against PWLB each time, and Glasgow has progressed from a single asset raise to a broader portfolio of smaller projects, showing the model can grow with a council's confidence and investor base.
- Emerging institutional co-investment: from 2025, institutional partners such as Unity Trust Bank, which has deployed over £8m of a £15m commitment, and the Esmée Fairbairn Foundation have begun co-investing alongside retail investors on the same platform, an early sign that CMIs could eventually support larger raises by blending citizen and institutional capital rather than relying on retail money alone.

Not a form of community energy

A CMI is easily conflated with community energy, but the two sit in different parts of the capital stack. Community energy is owned and democratically controlled by a community organisation, typically a co-operative, community benefit society or CIC, usually raising capital through community shares where each member gets one vote regardless of investment size.

A CMI is structurally different: the asset stays owned by the council, investors are lenders holding a debt instrument rather than owners holding shares or membership rights, and they get no vote or say in how the project is run. A CMI belongs in the citizen finance space rather than the community ownership space.

Example: West Berkshire Council ran the first UK CMI in 2020, funding rooftop solar on a council building and local schools in support of its 2030 carbon neutrality target. Glasgow City Council raised £1m for solar in its first round, then returned for a second phase funding nature-based street improvements outside schools and care homes, a progression from a single asset class to a portfolio of smaller, visible projects that mirrors the aggregation logic set out elsewhere in this report. Southwark London Borough Council has raised £3.5m across four issues since 2024 from more than 1,100 investors, over 200 of them local residents, and points to repeat issuance as a way of broadening its funding base while deepening residents' understanding of how local infrastructure gets delivered.

Where it fits, and its limits

A CMI works best as a complement to PWLB borrowing and, for larger projects, as the citizen-facing layer of a wider blended capital stack rather than the primary financing route. Its limits are practical rather than conceptual:

- Scale: raises to date run from £1m to £3.5m, making it a supplementary source rather than a substitute for PWLB borrowing.
- Lead time and cost: Warrington's build took nine to twelve months of development work with its platform partner before launch, plus legal costs and staff time that need building into any project timetable.

- Governance and compliance: a CMI needs Section 151 sign-off, a Cabinet or committee decision, inclusion in the Treasury Management Strategy, and every promotion is a regulated financial promotion with FCA-approved risk wording the council has limited scope to vary.
- Investor illiquidity and reputational exposure: these are long-term loans typically running for five years, and because residents are lending directly to their own council, any sign of financial distress lands more personally than an anonymous PWLB loan would.

PART THREE – Proving the finance models

Part two set out the finance models that make public investment financeable in principle. Part three considers them against retrofit, solar, the public estate and heat networks. Solar comes first because it is where a council can prove a portfolio approach attracts capital with the least technical and construction risk, before the same discipline is applied to retrofit's stock variation and heat networks' anchor-demand problem.

Chapter 3. Solar: the natural entry point for investment

The North West already has solar deployed at meaningful scale across the public estate, from single council roofs to larger ground-mounted schemes, and enough of a track record to show what works. Solar PV is one of the most mature and financeable decarbonisation technologies available to local authorities. Long asset lives, relatively predictable output and measurable energy savings make it well suited to portfolio delivery, PPAs and Energy-as-a-Service (EaaS).

This is why solar is usually the first technology a council would take to market, not because it delivers the most carbon savings, but because it carries the fewest of the barriers that make other technologies harder to finance. Retrofit depends on individual household decisions and stock-by-stock variation that make performance harder to standardise. Heat networks require anchor demand to be secured before the economics work at all and carry years of construction risk before any revenue arrives. Solar, by contrast, has a well-understood technology, predictable generation that can be modelled with confidence, and a revenue mechanism, electricity sold or offset, that is simple enough for a first-time investor or a first-time council sponsor to assess quickly.

How the Hub can help: solar opportunity data

The North West Net Zero Hub can provide rooftop solar PV assessments in two ways, at different stages of a pipeline.

The first is a North West-wide strategic dataset, developed in-house using Ordnance Survey data, estimating the generation potential of every rooftop across the region. This is available to local authority partners as a GIS layer or an interactive Power BI dashboard, filterable by building type, local area and generation capacity. It suits profiling and comparing areas, to show where potential is concentrated and what type of buildings it sits on.

The second is a detailed, building-level assessment using LiDAR data, which models actual roof contours, assigns generation potentials and screens out unsuitable roofs. This is available for a growing number of local authorities, with the Hub aiming for full North West coverage of non-domestic buildings. Outputs are again available as a GIS layer or Power BI dashboard, and this level of detail supports identifying and screening individual buildings ahead of a formal feasibility study.

Both products are green finance tools rather than technical add-ons: a council cannot cost a portfolio, model its cashflow, or take a proposition to a lender or investment partner without a credible estimate of generation potential and a shortlist of viable roofs. The strategic dataset does the prioritisation and aggregation work at area level, identifying where to look first and building the case for bundling buildings

together, while the LiDAR-based assessment produces the site-level evidence, PV output, generation potential, suitable roofs, that a feasibility study or investable business case depends on.

Four common financing routes

Route	How it works	When it is attractive
Direct ownership	Council funds and owns the asset using capital or borrowing.	The authority has capital headroom and values long-term ownership and savings.
PPA / Energy-as-a-Service, Solar-as-a-Service	Third party funds and operates the system; authority buys electricity under a long-term agreement.	Upfront capital is constrained or the authority wants to transfer operational risk.
Portfolio / aggregation, regional fund	Multiple assets and sites are aggregated and financed through a regional or pooled structure.	Small sites individually are uneconomic but collectively create scale.
Community / place-based finance	Residents or community organisations invest alongside public or private capital.	Local ownership and wealth retention are strategic objectives.

Case Study 4: Westmorland and Furness Direct ownership

Westmorland and Furness Council's Sandscale Park solar farm demonstrates direct public investment and ownership. The approximately 2 MW project is generating electricity with nearly 3,700 solar panels, reducing emissions and supporting council energy. Cabinet approved the scheme in September 2023, construction started in late 2024 and it was completed within six months, with the site now connected to the national grid.

Cost and financing structure

Total estimated cost was £2.781m, with a £2.481m stage 2 construction contract awarded to Vital Energi Ltd, and the remaining roughly £0.3m covering management, risk, legal and advisory fees. This is direct capital investment and ownership by the council, funded and built on its own balance sheet rather than through a third-party developer or EaaS structure. The council also entered into an agreement to sell the generated electricity.

Delivery partners

Electricity North West acted as strategic partner and adopted the grid connection infrastructure, Vital Energi was main contractor, and Green Cat Renewables provided specialist advisory support.

Outputs

The site is expected to save around 507 tonnes of CO2 equivalent annually, generating enough electricity to power the council's five leisure centres or around 730 average UK homes a year. It also includes a Biodiversity Enhancement Plan targeting a 10% net biodiversity gain, on land previously used as low-grade agricultural grazing.

Case Study 5: Lancaster City Council, Burrow Beck Solar Farm

Planning permission was granted in September 2024 for a council-owned, ground-mounted solar farm on land north of Bailrigg Lane, near Lancaster University. Construction followed through 2025, and the site was fully energised in July 2026.

Cost and financing structure

This is direct public investment and ownership, funded and built on the council's own balance sheet, the same model as Westmorland and Furness's Sandscale Park above. Burrow Beck generates around 3,735 MWh of renewable electricity a year, with the electricity currently sold to the National Grid, creating a new source of income to support council services.

Outputs

Combined with the council's existing solar installations at Salt Ayre Leisure Centre and Gateway, the portfolio now generates more than 5GWh of renewable electricity a year, more than the council's estate typically imports from the grid. Based on current forecasts and energy prices, the combined portfolio is expected to deliver around £550,000 a year in financial benefit, helping insulate the council from rising energy prices.

GB Energy's Public Power Proposition

GBE's emerging Public Power proposition is expected to deliver behind-the-meter solar and storage on public buildings with no upfront capital. It would run through GBE Local, part of GBE's Local Product Portfolio (see Annex C), with the public body paying for the energy outcome through a PPA or Energy-as-a-Service agreement rather than buying the equipment. GBE has not yet published eligibility, scale or a launch date, so it should be treated as a direction of travel rather than a live offer.

Scaling community energy through public sector partnership

Carbon Co-op and Regen's 'Building Community Power', commissioned by the Greater Manchester Combined Authority, draws on a spatial analysis of the region's community energy generation potential and an assessment of emerging policy and regulatory reform. It recommends greater use of public sector power purchase agreements (PPAs) to support local clean generation, and new 'Public-Commons Partnerships' through which local authorities and community energy organisations collaborate and share revenue. It also proposes a Greater Manchester community energy coordination network, a project-origination matchmaking service between community groups, local authority officers and site owners or developers, a dedicated Community Energy Fund grant and a social enterprise offer to support community-owned rooftop solar. Work on the next stage is underway.

Chapter 4. Retrofit: from grant delivery to a long-term market

The North West has demonstrated strong capability in grant-funded retrofit. The Warm Homes Plan and the Warm Homes Fund provide a potentially important shift towards recyclable finance and consumer lending. The £15 billion Warm Homes Plan aims to improve energy efficiency and cut bills for up to five million homes by 2030, and its £5 billion Warm Homes Fund is structured as CDEL Financial Transactions, meaning the money must be deployed mainly as loans or other repayable instruments rather than grants.

In practice, this splits into roughly £1.7 billion, plus a £300 million capital grant, for government-backed consumer loans to owner-occupiers, and £3.3 billion for innovative finance covering EaaS, local equity and recycling funds, blended public-private finance, heat network finance, and supply chain investment.

National government is moving retrofit finance from one-off grants towards structures designed to be recycled and repaid, which is exactly the shift a durable local market needs to mirror.

Four common financing routes

Route	How it works	When it is attractive
Consumer loan (Warm Homes Fund-backed)	Homeowner takes a government-backed loan to cover retrofit measures, repaid over time out of household income.	The household can service a modest loan and wants to own the improvement outright rather than pay an ongoing service charge.
Energy-as-a-Service (EaaS)	A third party finances, installs and maintains a heat pump or fabric package, and the resident or landlord pays for a modelled ongoing energy or service outcome.	Upfront capital is constrained and performance risk should sit with the provider rather than the resident.
Portfolio or aggregation (estate-wide retrofit)	Multiple homes or an estate are bundled and financed as a single portfolio through a housing association, ESCO or regional fund.	Individual homes are too small to attract commercial finance on their own, but the volume across an estate or area creates scale.
Blended grant-plus-loan (layered finance)	Grant funding covers the hardest-to-treat fabric measures, with a green loan or EaaS layered on top for heat and lower-cost measures.	A property has both fabric and heat needs with different payback periods that a single finance product cannot sensibly cover.

The financing routes above are suitable for financing individual homes or estates. But a durable market needs more than a menu of financing options available project by project, it needs the underlying conditions, as set out below.

Requirements for a durable retrofit market

- Fabric-first investment combined with appropriate low-carbon heat.
- Layering grants with green loans, EaaS or community finance rather than treating each source as a standalone programme.
- Aggregating homes or estates to reach meaningful finance volumes.
- Using trusted advice and local delivery partners to reduce customer acquisition and adoption barriers.
- Designing finance around stock type, affordability and the capacity of the local supply chain.

EaaS Example: Housing associations in areas such as Merseyside have explored EaaS models for retrofit, combining grant-funded fabric measures with provider-financed air-source heat pumps and solar PV. This kind of approach illustrates the value of separating elements of a retrofit programme according to their most appropriate source of capital.

Retrofit becomes investable when scale, standardisation and asset/performance data are strong enough to reduce transaction and risk costs.

Chapter 5. The public estate: treat buildings as a portfolio

The public estate needs to be considered as a long-life asset base rather than a collection of isolated buildings. Decarbonisation can reduce energy expenditure, exposure to price volatility and future maintenance costs while improving resilience and supporting wider place objectives.

The Hub's North West Clean Power Report (2025) estimated that decarbonising the North West public building estate could require more than £15bn, a scale no realistic delivery strategy can reach through building-by-building investment alone.

Treating the estate as a portfolio rather than a queue of separate projects changes what is financeable, for a concrete reason: aggregating buildings gives a lender or investor one transaction large enough to justify assessing, rather than dozens too small to be worth the time.

A portfolio approach can:

- **Smooth different payback periods across buildings.** A leisure centre with a five-year payback and a town hall with a fifteen-year payback look unfinanceable individually, since the slower asset drags down the case for the whole scheme. Combined into one portfolio, the faster paying buildings offset the slower ones, so the average works even though no single building would clear the bar alone.
- **Reduce unit costs through standardised design and procurement.** Specifying the same technical solution and contract terms across many buildings, rather than designing each one from scratch, cuts the legal, technical and survey costs that would otherwise be repeated on every single site.
- **Diversify performance and delivery risk.** If one building underperforms, a delayed installation, an underperforming heat pump, the effect is diluted across the whole portfolio rather than sinking a single-asset deal outright.
- **Create larger finance tickets.** Institutional lenders and investors have a minimum deal size below which the cost of due diligence outweighs the return, often several million pounds. A single building rarely reaches that threshold; a bundled portfolio of buildings usually does.
- **Build a predictable pipeline for suppliers and investors.** A multi-year programme of similar work lets contractors and lenders plan capacity and staffing ahead of time, rather than re-tendering and re-underwriting from scratch for every new building that comes along.
- **Support longer-term workforce and skills investment.** A steady pipeline of similar retrofit or solar work justifies training and retaining specialist installers and technical staff, rather than each project being too short and uncertain to justify that investment.

Four common financing routes

Route	How it works	When it is attractive
Energy Performance Contract (EPC)	A contractor guarantees a level of energy savings across a building or portfolio, and repayment is tied to verified performance.	The council wants savings-backed repayment and a single contractor accountable for outcomes across many buildings.
Energy-as-a-Service (EaaS)	A third party finances, owns and operates the plant, heating, solar, storage, across the estate, and the council pays for the energy or service outcome.	Upfront capital is constrained and the council wants technology and performance risk to sit with the provider.
Concession	A private partner finances, builds and operates an asset or portfolio under a long-term agreement, recovering costs through a service charge or availability payment.	The scheme is large enough to justify complex structuring, and the council wants risk transfer over a long asset life.
Programme-level public borrowing (PWLb/prudential)	The council borrows against the whole portfolio's combined savings and revenue, rather than financing each building separately.	The council has borrowed headroom and the portfolio's aggregated cash flows are strong enough to support commercial-style debt service.

Aggregation example: The Greater Manchester Retrofit Task Force aggregated more than 100 public building assessments into a single £78 million Public Sector Decarbonisation Scheme award covering 150 buildings, working with cross-sector delivery partners rather than running each building through a separate bid. This illustrates the chapter's core argument directly: treating the public estate as one pipeline, rather than a queue of individual applications, is what allowed a portfolio of this size to be assessed, financed and delivered as a single programme.

Case Study 6: Crematoria decarbonisation

The Hub has provided long-term support to Preston City Council in examining options for crematoria decarbonisation, from funding a 2023/24 study by the CDS Group into Lancashire's crematoria and cremation technology options, to a 2025 Hub-led techno-economic analysis of the options available to Preston crematorium, which identified electrification as the optimal route.

The study, a finalist in the national Edie Energy and Technology Awards 2026, informed Preston's crematorium electrification programme for 2031, national webinars on crematoria decarbonisation and efficient operation of existing crematoria, and technology guidance documents for national reference. Discussions with financiers are ongoing, aimed at establishing a national electric cremator funding model for local authorities.

Case Study 7: Westmorland and Furness Council, building energy data

Westmorland and Furness Council approached the Hub with a broad request to understand its energy usage and identify opportunities for reduction. This developed into three staged work packages, each widening the scope from diagnosis to investment case.

The Hub first provided half-hourly energy usage analysis across 60 buildings, showing variation in usage by day, week and month, and presenting the results graphically to make the data easier to discuss with building users and energy managers. Solar PV assessments followed on 12 priority sites, covering PV output, energy savings, capital costs and cashflow modelling. The Hub then modelled solar, heat pump and fabric upgrade options, drawing on council-commissioned consultant studies, across 67 council-maintained schools, again producing PV output, energy savings, capital cost and cashflow modelling for each school.

The public estate becomes investable when a council can demonstrate standardised asset and performance data across its buildings, a credible aggregation mechanism, and a commercial structure matched to the risk each building actually carries, rather than treating every retrofit or plant replacement as a fresh, one-off case.

Chapter 6. Heat networks: infrastructure, not individual projects

Heat networks have high upfront costs, long asset lives, and declining unit costs as networks expand. Their economics therefore depend heavily on scale and demand certainty.

The strongest North West examples connect heat investment to regeneration and anchor demand. Manchester's Civic Quarter network and Liverpool's Mersey Heat approach demonstrate the importance of public sector assets and wider development demand in underpinning a network.

How heat networks become financeable

- Aggregate demand across public buildings, regeneration sites and other anchor loads.
- Use zoning and planning to improve long-term demand certainty.
- Structure long-term concessions or ESCO arrangements where private delivery is appropriate.
- Use public grant or concessional capital to de-risk early phases.
- Bring in senior private debt once demand, construction and performance risks are sufficiently established.
- Consider non-recourse or limited-recourse SPVs where project revenues can support borrowing.

Connection costs remain a considerable barrier

Tariff recovery, third-party finance and portfolio structures can spread these costs across the life of the asset rather than loading them onto the point of connection. But heat networks carry a further, more structural affordability challenge: a long-term heat or service charge can be the economically superior option over the asset's lifetime and still look more expensive than incumbent gas on a simple short-term unit-price comparison, because gas heating carries none of the upfront capital cost a heat network has to recover.

Consumer protection, tariff design, indexation and affordability need to be built into the investment case from the outset, not addressed once the network is already operating and the comparison is already being made by residents against their old gas bill.

Four common financing routes

As with solar and retrofit, no single route suits every network. The right choice depends on how far anchor demand and construction risk have already been resolved, and a network often moves through more than one of these routes as it matures, starting with grant or concessional capital and graduating to private or project finance once demand is proven.

Route	How it works	When it is attractive
Council-led public delivery	The council builds, owns and operates the network directly, funded through prudential borrowing.	The council has borrowing headroom and wants full control over tariffs, connections and future expansion.
ESCO or concession	A private partner designs, builds, finances and operates the network under a long-term agreement, recovering costs through a heat tariff.	The council wants construction and performance risk transferred, and anchor demand is secure enough to attract a private operator.
Non-recourse or limited-recourse SPV	A special purpose vehicle raises project finance against the network's own revenue, ring-fenced from the council's balance sheet.	Demand and revenue are contractually secured enough for lenders to lend against the project itself rather than the council's covenant.
Grant or concessional-capital de-risked early phase	Public or concessional funding covers the highest-risk early build out, with private debt brought in once demand is proven.	Anchor demand is not yet fully secured and commercial lenders will not yet price the early-phase risk.

Example: Manchester's Civic Quarter heat network illustrates this sequencing in practice. The scheme is structured as a long-term concession anchored by committed public building demand in the city centre, giving the network the demand certainty needed to underpin its economics before further connections are added.

Anchor demand from public buildings gives a network enough certainty to bring in private and commercial connections on workable terms, rather than requiring every future connection to be secured before the network can be financed at all.

PART FOUR – Actions for the North West

Chapter 7. Ten actions for local authorities

The preceding chapters set out why aggregation, blended capital and a disciplined pipeline shift a project from 'not investable' to 'investable'. This chapter turns that into a working checklist.

The ten actions follow roughly the order in which a council typically needs to address them: how projects are organised and pipelined, how they are designed to be financeable, how they are scaled regionally, and how they are protected from avoidable risk and brought to market.

1. Make aggregation the default

Start with the portfolio, not the building.

The problem is that a single building rarely reaches the scale that makes it worth an investor's or lender's time, and each one has to carry its own transaction costs (legal, technical survey, procurement) regardless of size. Bundle compatible interventions across estates, housing and public sector partners.

2. Build a single corporate pipeline

Create a common pipeline with defined stages, investment values, development requirements, risk and next decision points.

3. Identify the revenue or savings stream early

For every project, identify exactly what repays the capital: energy savings, tariffs, service payments, rents, PPA revenues or another contracted income.

4. Match capital to risk

Use grants and concessional finance for development and market failure; use commercial debt and equity where risks and returns support it.

5. Develop repeatable commercial models

Standardise specifications, procurement, contracts and monitoring for common measures.

6. Use regional scale

Combined authorities and other regional bodies should convene cross-boundary pipelines, shared procurement and common finance structures.

7. Build a revolving capability

Where repayments or savings permit, recycle capital into the next phase rather than starting a new funding process each time.

8. Test off-balance-sheet models carefully

Use EaaS, EPCs, concessions and SPVs where they transfer risk appropriately, but validate accounting, legal and affordability implications before commitment.

Testing finance structures

ECW's HGV EV charging feasibility study aims to compare two funding options for each site. One is a fully funded Charge Point Operator (CPO) model, where private capital pays for the infrastructure and the council earns a revenue share. The other is local authority ownership, where the council pays and a CPO just operates the site. The study also works out the commercial terms needed to make each option viable, rental per charging bay, revenue share per kWh, so the councils can see what private investment would cost them against self-funding. This puts the funding decision inside the feasibility work itself, which makes it closer to an investment-ready blended finance business case.

9. Bring communities into the capital stack

Where appropriate, combine community shares, Community Municipal Investments or other local capital with public and private finance.

10. Engage investors early

Treat investor engagement as a pipeline activity that starts at the Screened stage, not a single event before financial close. The pipeline stages and finance gateways are summarised in Annex A, and the companion guide, *Building the Investment Pipeline*, sets out who investors are, what they look for and how to engage them at each stage.

The table below summarises ownership, timing and success measures for each action:

Action	Owner	Timescale	Output	KPI
1. Make aggregation the default	Head of Capital Programme	0–6 months	Portfolio bundling adopted as the default approach for new schemes	% of new capital bids submitted as bundled portfolios rather than single assets
2. Build a single corporate pipeline	Section 151 Officer	0–6 months	Single corporate pipeline register live and reviewed quarterly	Pipeline register established and refreshed on a quarterly cycle
3. Identify the revenue or savings stream early	Finance Business Partner	At project initiation	Named revenue mechanism documented for every pipeline entry	% of pipeline projects with a stated revenue stream at Screened stage

Action	Owner	Timescale	Output	KPI
4. Match capital to risk	Treasury / Section 151 Officer	Ongoing, per gateway	Capital source matched to risk profile at each gateway	Capital mix documented and signed off at Gateway 2 for every project
5. Develop repeatable commercial models	Commercial / Procurement Lead	6–12 months	Standardised specifications, contracts and monitoring templates published	Number of projects delivered using a repeatable commercial template
6. Use regional scale	Combined Authority / Net Zero Hub	6–18 months	Cross-boundary pipeline and shared procurement route established	Number of authorities participating in shared regional procurement
7. Build a revolving capability	Treasury / Finance Director	12–24 months	Revolving fund mechanism established for repayable schemes	£ of capital recycled into new projects annually
8. Test off-balance-sheet models carefully	Section 151 Officer / Auditor	Before financial close	Accounting and legal treatment validated for each structure	% of EaaS or concession deals with signed-off accounting treatment prior to close
9. Bring communities into the capital stack	Green Finance Lead	6–18 months	Community finance option assessed and included where viable	£ of community capital raised per portfolio
10. Engage investors early	Green Finance Lead	From Screened stage onward	Investor engagement plan in place, following the framework in the companion guide	Number of informal investor soundings completed before Gateway 3

Conclusion: structured finance is the next stage of delivery



The North West does not need to prove it can deliver. It has already won grants, built retrofit and renewable-energy projects and coordinated across local authorities. RE:FIT-style framework delivery, Westmorland and Furness's Sandscale solar farm, the Greater Manchester Retrofit Task Force's aggregated PSDS award and Manchester's Civic Quarter heat network show that this capability exists at meaningful scale across the region.

The question is no longer whether the region can deliver, but whether it can turn that track record into long-term investment.

Key findings

- **Scale is the entry ticket.** Single-asset, grant-dependent approaches rarely reach the size investors will spend time assessing. Portfolios cut transaction costs, spread risk across many assets and create the certainty investors need to engage at all.
- **Blended capital multiplies public money.** It puts scarce public funding where it has the greatest additionality, unlocking a larger pool of private and community investment rather than substituting for it.
- **Performance-based models stretch it further,** reducing upfront capital requirements where the commercial and accounting structures genuinely support them.
- **Green Book appraisal is investment readiness, not compliance.** Treated that way, it gives these structures the discipline that turns a good idea into a defensible investment proposition.
- **Viable is not the same as investable.** A project can be well appraised and well governed and still fail to attract capital. Investor engagement closes that gap, and it works best when it starts early, while a project can still be shaped around what a specific investor needs.
- **These projects can generate income, not just consume budgets.** Renewable generation, heat networks and energy savings can create long-term revenue streams that help ease the pressure on council finances. Section 151 officers are central to unlocking this. When they assess the return alongside the risk, they can treat well-structured projects as an opportunity to strengthen the council's financial position rather than a liability to be contained.
- **Credibility includes a plan for when things go wrong.** A strong investment case sets out how risk is allocated, what level of underperformance triggers review and who signs off the response.
- **The constraints are real.** None of this removes the pressure on local government finance. Capital and revenue budgets remain tight and public funding cycles will continue to matter.

Grants will remain an essential part of how the region funds decarbonisation. But grants alone will not deliver at the pace or scale net zero demands. Structured, long-term finance offers a complementary route for larger, aggregated portfolios, and Greater Manchester's Local Net Zero Accelerator is already testing an aggregation mechanism of this kind at city-region scale. The North West has the projects, the partnerships

and the delivery record. What it needs now is the pipeline, the structures and the investor relationships to turn proven delivery into lasting investment, along with finance leadership that sees the income opportunity as clearly as the risk. The authorities that start that work now will shape the region's net zero economy, rather than waiting for the next funding round to shape it for them.

ANNEX A – Finance professional's toolkit

Below is a practical toolkit for Section 151 officers, finance directors, treasury teams and capital programme leads.

As discussed in the report, green finance becomes useful to a local authority when it improves a project's investability without obscuring its affordability, risk, accounting consequences or governance requirements.

Five questions to ask

- What are we investing in? Define the asset, programme, ownership, scale, delivery route and whole-life cost.
- What pays it back? Identify the revenue, tariff, service payment, energy saving, rent, PPA income or other contracted cash flow that supports repayment.
- Who takes the risk? Make technical, construction, performance, demand, price, counterparty, refinancing and residual-value risks explicit.
- What does it mean for the council? Test capital and revenue budgets, prudential borrowing, debt capacity, accounting treatment, contingent liabilities and long-term contractual commitments.
- Why is this the best use of public capital? Demonstrate additionality: use grants, concessional finance and public borrowing where they address market failure, close viability gaps or crowd in other capital.

Answering these five questions in practice means having:

- Strategic fit: clear alignment with the authority's net zero strategy, Local Area Energy Plan and wider place objectives.
- Asset and data quality: reliable information on buildings, energy use, condition, tenure, demand and technical potential.
- An economic case covering whole-life costs and benefits, not simply upfront capital cost.
- A revenue or savings case: credible energy savings, tariffs, service payments, rents, PPA revenues or other cash flows.
- A commercial route: a clear procurement and delivery structure with risks allocated to the party best placed to manage them.
- A financial structure: an appropriate mix of public, private and community capital.
- Governance: named accountability, approvals, monitoring, reporting and community engagement.
- Scale: sufficient volume or aggregation to justify transaction costs and attract appropriate capital.

Once answered, test the result against three hurdles. A project can pass one and fail another, strong public value with a positive project return can still be unaffordable within the authority's

current capital programme, just as a project can be affordable for the council but not bankable enough to attract private capital.

- Economically worthwhile? Does the proposal deliver the strongest whole-life public value under Green Book-aligned appraisal?
- Financially viable? Do the project's revenues, savings and other cash flows support the proposed capital structure and repayment profile?
- Affordable and prudent for the authority? Can the council carry the required capital, revenue, debt and risk exposure within its financial strategy and prudential framework?

Minimum financial model

- Total CAPEX, including development, professional fees, financing and connection costs.
- Operating costs, lifecycle replacement, maintenance and decommissioning costs over the full asset life.
- Revenue and savings assumptions, including tariffs, energy prices, indexation, demand and performance.
- Annual net cash flow, funding drawdown and repayment.
- NPV, IRR and payback where relevant, alongside the applicable cost of capital or hurdle rate.
- Debt service and DSCR where project debt is proposed; equity requirement and expected equity return where relevant.
- Residual value, refinancing assumptions and end-of-life obligations.
- Clear separation of grant, debt, equity, public/concessional and community capital.

Sensitivity testing should cover energy prices, inflation, interest rates, capex overruns, delays, performance or yield, demand, heat-network connections, counterparty failure, grant availability, PPA price or indexation, and asset life or refinancing.

Capital, revenue and balance sheet

The finance question is not simply "who provides the upfront capital?" It is "where does the cost, asset, liability and future payment sit?" That answer can differ materially between direct ownership, PWLB borrowing, EaaS, EPC, PPA and SPV structures.

Treasury implications

- Assess the proposal against the Capital Strategy, Treasury Management Strategy and Medium-Term Financial Plan.
- Test authorised borrowing, capital financing requirement, debt maturity, liquidity and refinancing exposure.
- Consider fixed versus variable rates and match debt tenor to asset and cash-flow life where appropriate.
- Identify revenue exposure if savings, tariffs or income underperform, including contingent liabilities, guarantees and termination payments.

Pipeline stages and finance gateways

Every proposal should move through a seven-stage pipeline that progressively reduces uncertainty and increases investability, with formal finance sign-off built in at five gateways rather than left as an informal conversation before a paper goes to committee. This turns the pipeline from a project-development tool into a corporate investment-control mechanism: projects should not reach procurement or financial close without a clear answer on affordability, accounting, risk allocation, funding source and approval route.

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

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

The companion guide, *Building the Investment Pipeline*, sets out each stage and gateway in more detail, together with the readiness checklist and investor engagement framework referred to in Chapter 7.

ANNEX B – Finance mechanisms: a quick guide

This annex sets out various finance mechanisms available to local authorities and public bodies for funding net zero infrastructure, retrofit and renewable energy projects. It is intended as a reference point for comparing options at an early stage, not as a substitute for full financial and legal appraisal of any specific project.

Model	Typical application	Capital / repayment	Key diligence
Direct council investment	Solar, retrofit, public buildings	Council capital/PWLB; savings or budgets	Prudential Code, affordability, whole-life value
Green loan	Portfolio retrofit	Debt; savings/rental income	Borrower strength, tenure, KPI and savings assumptions
Sustainability-linked loan	Large portfolios	Debt; margin linked to KPIs	Credible targets and independent reporting
Energy as a service (EaaS)	Solar, batteries, heat pumps	Provider capital; service/availability charge	Accounting, termination, provider credit and performance
EPC	Integrated building retrofit	Provider financing or arranged finance; guaranteed savings	Baseline, measurement, guarantees and contract risk
PPA	Solar generation	Offtaker pays for electricity over long term	Price, indexation, volume, termination and credit
Revolving fund	Phased retrofit	Initial public capital recycled from repayments/savings	Governance, capitalisation and recycling rules
SPV / project finance	Heat networks, infrastructure	Project debt/equity; project revenues	Demand, contracts, risk ring-fencing and bankability
Blended finance	Complex or early-stage programmes	Public + private + community	Additionality, state-aid/subsidy, governance and sequencing

Model	Typical application	Capital / repayment	Key diligence
Community finance	Local renewables	Shares/bonds/CMI or similar	Regulation, investor proposition and community governance

ANNEX C – Policy updates and Great British Energy

GBE's Strategic Plan, published in December 2025, commits to building a portfolio of at least 15 GW of clean power and storage and mobilising £15 billion of private capital over time, backed by £8.3 billion of government funding, and to supporting more than 1,000 local and community energy projects by 2030.¹⁸ A parallel £255 million solar scheme from GBE and the UK government is installing rooftop solar on around 250 schools, over 270 NHS sites and around 15 military sites. This shows GBE funding is reaching the wider public estate and not local authorities alone.¹⁹

GBE is delivering its Local Power Plan, published in February 2026 with up to £1 billion of funding, through a Local Product Portfolio due to launch in full in autumn 2026.²⁰ Two elements are already open. The first is grant funding: the GBE Community Fund supports community energy projects from feasibility through development to capital, and a new Partnerships Grant funds feasibility and development for local authority and community energy partnerships in England.²¹

The second is the Community Power Fund, which will deploy an initial investment envelope of up to £50 million across up to 10 proposals, with GBE taking passive minority positions. Expressions of interest are open until 31 October 2026 to energy finance intermediaries able to deliver managed investment solutions. The fund targets a persistent investability gap: many community and local energy projects deliver strong local benefits but struggle to attract scalable capital, as they are small, fragmented or early-stage and too risky for institutional investors to assess one by one. By pooling these projects into portfolios, the fund should allow GBE and like-minded investors to invest at scale.²²

The remaining products are still in development:

- **Public power:** behind-the-meter solar and storage at no upfront cost. GBE Local would manage delivery end to end with a local or community developer, with power sold back through a PPA or Energy-as-a-Service model.
- **Community power:** construction and shared ownership loans for community organisations building their own sites or buying into commercial developments once planning and grid connection are secured.
- **GBE equity:** a Local Investment Fund making direct investments in projects, pipelines and developer organisations, including a Stewardship model in which GBE holds shared-ownership stakes on communities' behalf while they raise finance.

Other relevant strategic plans

Local Growth Plans provide a 10-year strategic framework for economic growth, each with a spatial element identifying priority places for sector-specific development; aligning sustainable finance pipelines to these plans helps leverage funding and demonstrate wider place-based value.

¹⁸ Great British Energy (2025) *Strategic Plan*, December 2025. Available at: <https://www.gbe.gov.uk/strategic-plan-2025-html>

¹⁹ Great British Energy (2025) *Strategic Plan*, December 2025. Available at: <https://www.gbe.gov.uk/strategic-plan-2025-html>

²⁰ DESNZ and Great British Energy (2026) *Local Power Plan*, February 2026. Available at: <https://www.gov.uk/government/publications/local-power-plan>

²¹ Great British Energy (2026) *GBE Community Fund and GBE Partnerships Grant*. Available at: <https://www.gbe.gov.uk/funding-opportunities>

²² Great British Energy (2026) *Call for Investment Concepts and Pipeline: Community Power*, September 2026. Available at: <https://www.gbe.gov.uk/gbe-local/calls-for-proposals>

Local Power Plan (LPP): Beyond the funding set out above, the LPP includes hands-on support, business model improvements, regulatory reform and a possible mandatory shared-ownership offer, subject to a 2026 consultation, with legally binding rules expected from around 2028.

Warm Homes Plan: A £15 billion programme to improve energy efficiency, reduce fuel poverty and cut energy bills for up to five million homes by 2030. Its £5 billion Warm Homes Fund is structured as CDEL Financial Transactions, so must be deployed mainly as loans or other repayable instruments rather than grants (the split is set out in Chapter 4).

A Call for Evidence on how to structure the £3.3bn innovative finance component closed on 1 June 2026, with outcomes expected later in the year. It specifically asks how area-based funds, revolving finance vehicles and public-private blended models can work within local authority governance, borrowing constraints and balance-sheet rules. Alongside this, the Green Home Finance Strategic Partnership (co-chaired by DESNZ and the Green Finance Institute, launched February 2026) is working with major lenders to develop the consumer loan product range, green mortgages, unsecured green home loans, and property-linked finance, for the wider domestic retrofit market.

In the North West, allocations already exceeding £240 million will support local authority-led retrofit and social housing decarbonisation, with programme structure and post-2028 funding to be confirmed through future spending reviews.

National Wealth Fund (NWF): Published its five-year strategic plan in late January 2026. Capitalised at £27.8 billion, with £8.4 billion deployed to date, it will deploy the remaining £19.4 billion by 2030/31, aiming to mobilise over £100 billion in total investment, support around 200,000 jobs, and save 500 Mt of CO₂e by 2050.²³ Focus areas include clean energy pathways (grid, batteries, hydrogen, CCUS, ports, nuclear, green steel), place-based regional projects.

Example: The NWF also runs a Regional Project Accelerator specifically for Mayoral Strategic Authorities (MSAs) and city regions. Its wider approach favours a higher risk appetite than conventional public lenders, using equity and debt instruments alongside catalytic public finance designed to crowd in private capital. For local authorities specifically, it has confirmed £4bn in total lending capacity at gilts plus 40 basis points, of which more than £1bn has already been lent, backed by over 70 advisory engagements to date. Four Strategic Partnerships are currently live: Greater Manchester Combined Authority, West Midlands Combined Authority, West Yorkshire Combined Authority, and Glasgow City Region. Greater Manchester is the only North West authority in the initial cohort. In September 2026, the Fund expanded its scope and agreed additional strategic partnerships with North East Mayoral Strategic Authority, South Yorkshire Mayoral Combined Authority, Liverpool City Region Combined Authority, and Cardiff Capital Region.²⁴

Devolution and local government reform

Devolved funding and longer-term settlements are letting combined authorities blend national net zero programmes with local capital and private investment. Trailblazer-style devolution is most advanced in Greater Manchester and Liverpool City Region; trailblazer neighbourhood funding and newer devolution proposals are extending this further across Blackpool, Stockport, Blackburn with Darwen, Preston and Morecambe.

²³ National Wealth Fund, Strategic Plan, January 2026; "National Wealth Fund launches new Regional Project Accelerator for local government". Available at <https://www.nationalwealthfund.org.uk/news/national-wealth-fund-launches-new-regional-project-accelerator-local-government>

²⁴ "National Wealth Fund signs agreements with four more regional authorities," New Civil Engineer, 8 September 2026, <https://www.newcivilengineer.com/latest/national-wealth-fund-signs-agreements-with-four-more-regional-authorities-08-09-2026/>

Cheshire & Warrington and Cumbria became Combined Authorities following parliamentary orders approved in February 2026. Cheshire and Warrington's inaugural board met in April 2026, unlocking at least £650 million over 30 years, with mayoral elections scheduled for May 2027. Cumbria Combined Authority was formally established in early 2026, jointly led by Cumberland Council and Westmorland and Furness Council pending its first mayoral election (deferred to May 2027), backed by a £333 million Mayoral Investment Fund over 30 years.²⁵

Other relevant frameworks

- The Heat Network Market Framework is now active, with Ofgem as regulator and enhanced consumer protections in place. Heat Network Zoning, backed by the Energy Act 2023, is in the final stages of secondary legislation, due later in 2026; DESNZ's call for zone opportunity areas from local authorities closed 29 May 2026 and will shape the future zoning pipeline.
- Following its January 2025 Green Book review, HM Treasury published "Green Book Review 2025: Findings and Actions" in June 2025, committing to introduce place-based business cases (explicitly covering transport, housing and skills) and greater flexibility around business-as-usual cases, with further guidance on economic resilience to follow, developed jointly with the Department for Business and Trade.

²⁵ Local Government Chronicle, "Two strategic authorities formed," 27 February 2026. Available at <https://www.lgcplus.com/politics/devolution-and-economic-growth/two-strategic-authorities-formed-27-02-2026/>; UK Parliament, Hansard, Cheshire and Warrington Combined Authority Order 2026 debate, 10 February 2026. Available at <https://hansard.parliament.uk/Lords/2026-02-10/debates/2FEB31F0-33EA-4547-9468-3E9BD57DA8BF/details>

ANNEX D – North West case studies referenced in the report

- Greater Manchester Net Zero Accelerator is a £6.2m DESNZ-funded programme developing a £1bn-plus investable pipeline across heat, retrofit, renewables, storage and low-carbon transport.
- Greater Manchester Retrofit Task Force aggregated more than 100 public building assessments into a £78m PSDS award covering 150 public buildings, with cross-sector partners.
- Liverpool City Region's £50m PSDS-funded decarbonisation of 35 public buildings, paired with a further £1.45m Mayoral Renewables Fund solar rollout across 14 of them, is an aggregation example set out in section 2.6.
- Liverpool City Region Solar Together includes more than 1,000 domestic installations and around £9m of private investment.
- Westmorland and Furness Council Sandscale Park is approximately 2 MW council-owned solar farm in Barrow.
- Manchester Civic Quarter Heat Network is a long-term concession approach with public building anchor demand.
- Mersey Heat / Liverpool Waters is a regeneration-linked heat-network approach using aggregated demand.
- Lancaster Campus District Heat Network is GHNF-supported commercialisation and construction funding.
- St Helens town-centre heat network illustrates the live challenge of funding customer connection costs.
- Cheshire and Warrington's net zero funding mix (Case Study 2) spans grant and balance-sheet-funded transport electrification, a self-funded solar farm and a feasibility study testing blended finance for HGV EV charging.
- Mersey Tidal Power (Case Study 3) is a proposed 700MW tidal barrage backed by £70m of development funding, illustrating pipeline scale rather than a completed financing case, the Final Investment Decision is not expected before 2030.
- Lancaster City Council's Burrow Beck Solar Farm (Case Study 5) is a council-owned, ground-mounted solar farm generating around 3,735 MWh a year, part of a combined solar portfolio worth around £550,000 annually.
- Preston City Council crematoria decarbonisation (Case Study 6) is Hub-supported techno-economic analysis identifying electrification as the optimal route, informing national guidance for other councils.
- Westmorland and Furness Council building energy data (Case Study 7) is a staged programme of half-hourly usage analysis, solar assessments and heat pump/fabric modelling across council buildings and schools.
- Greater Manchester Combined Authority's Powering our Schools pooled design and procurement across 35 schools, an aggregation example set out in section 2.6.
- Greater Manchester Pension Fund (GMPF) allocates 5% of its assets, around £1.5bn, to a Local Investment portfolio targeting Greater Manchester and the wider North West.
- ECW's HGV EV Charging Hub feasibility study tests a fully funded Charge Point Operator model against local authority ownership, an example of testing finance structures set out in Chapter 7.
- Port of Workington is a £15m road access investment supporting the wider Irish Sea offshore wind pipeline, an enabling-infrastructure example set out in section 1.3.

- The National Wealth Fund's Regional Project Accelerator: Greater Manchester Combined Authority was the only North West authority in the initial cohort of Strategic Partnerships, with Liverpool City Region added in September 2026.

ANNEX E – Practical checklist for a finance-ready project

This annex sets out the practical steps a project should have worked through before it is presented to funders or investment partners. It is not a formal appraisal methodology in itself, but a checklist for confirming that the groundwork behind a project, from strategic case through to commercial structure and governance, is in place and can be evidenced. Projects that can demonstrate progress against each item are better placed to move quickly once finance discussions begin.

- Strategic alignment agreed
- Asset ownership and data verified
- Technical feasibility completed
- Planning / grid / connection risks understood
- Demand or offtake evidence secured
- Whole life costs and benefits modelled
- Revenue / savings mechanism identified
- Green Book five-case appraisal considered
- Sensitivities and optimism bias considered
- Commercial and procurement route selected
- Risk allocation agreed
- Governance and approvals mapped
- Finance options tested with market
- Capital stack and funding gap identified
- Monitoring, verification and reporting designed
- Community and stakeholder engagement addressed

Abbreviations

CAPEX	Capital Expenditure
CCUS	Carbon Capture, Utilisation and Storage
CDEL	Capital Departmental Expenditure Limit
CIC	Community Interest Company
CIPFA	Chartered Institute of Public Finance and Accountancy
CMI	Community Municipal Investment
CPO	Charge Point Operator
DCMS	Department for Culture, Media and Sport
DESNZ	Department for Energy Security and Net Zero
DSCR	Debt Service Cover Ratio
EaaS	Energy as a Service
ECW	Enterprise Cheshire and Warrington
EPC	Energy Performance Contract
ESCO	Energy Service Company
ESG	Environmental, Social and Governance
EV	Electric Vehicle
FCA	Financial Conduct Authority
GBE	Great British Energy
GHNF	Green Heat Network Fund
GIS	Geographic Information System
GMCA	Greater Manchester Combined Authority
GMPF	Greater Manchester Pension Fund
HGV	Heavy Goods Vehicle
IRR	Internal Rate of Return
KPI	Key Performance Indicator
LGPS	Local Government Pension Scheme
LNZA	Local Net Zero Accelerator
LPP	Local Power Plan
MSA	Mayoral Strategic Authority
NESO	National Energy System Operator
NPV	Net Present Value
NS&I	National Savings and Investments
NWF	National Wealth Fund
PPA	Power Purchase Agreement
PSDS	Public Sector Decarbonisation Scheme
PV	Photovoltaic
PWLB	Public Works Loan Board

RDEL	Resource Departmental Expenditure Limit
SPV	Special Purpose Vehicle

Glossary of terms

Term	Definition
Blended finance	is the strategic use of public or concessional capital (e.g. government grants, low-interest loans, guarantees) to attract additional private investment into projects that deliver public goods, like NHS decarbonisation.
Capital Departmental Expenditure Limit (CDEL)	is the ceiling on how much a government department can invest in capital items such as buildings, infrastructure, equipment and long-term assets in a financial year.
Community Municipal Investments (CMI)	is a regulated investment model which allows local authorities to finance capital projects and investments directly from residents and citizens.
Concession funding model	is an arrangement where a private investor finances the design, build and operation of an asset (such as a heat network) under a long-term agreement with a public authority, recovering costs through tariffs or service charges over the concession period.
Concessional finance	is finance provided on below-market terms, typically by public or development finance institutions, to make a project viable or to crowd in private capital.
Cornerstone investor	is a major early investor whose commitment gives other investors confidence to commit capital to the same project, reducing the perceived risk of being first into a deal.
Credit enhancement	refers to public or anchor-institution guarantees used to reduce investment risk and improve the credit profile of a project, lowering the cost of capital for private lenders.
Energy-as-a-Service (EaaS)	is a delivery and financing model where a third-party designs, installs, owns, operates and maintains energy assets on a customer's site. The customer pays a long-term service or availability charge, often linked to energy performance or savings, rather than upfront capital, transferring technical, performance and maintenance risk to the provider.
ESCO	is an Energy Service Company, a business that develops, finances, and implements energy efficiency or renewable energy projects for clients, and is typically paid back through the energy savings achieved.
Financial Transactions (FTs)	a Treasury classification for capital spending deployed as loans or equity investments rather than grants. Repayments flow back to the Exchequer, allowing the same capital to be recycled multiple times. The Warm Homes Fund is structured entirely as Financial Transactions, which constrains delivery models but enables recyclable, scalable investment at a level impossible through grant-only approaches.
First-loss capital	is public or concessional capital structured to absorb initial losses ahead of private investors, reducing the risk faced by private capital and improving a project's overall investability.
Government-backed guarantees and other de-risking tools	are financial instruments, such as guarantees, that reduce risk for private investors in large infrastructure projects and help local authorities manage their own financial exposure.

Investment Ready	when a project is at the stage where it can secure either enough equity to build the project or, more likely, a combination of equity plus debt.
Joint Ventures	are partnerships in which two or more organisations share ownership, risk and returns, for example allowing communities to co-invest in renewable projects alongside experienced developers while keeping a stake in decision-making.
Local Area Energy Plan (LAEP)	is a technical, evidence-based plan for how a place will decarbonise its energy system, covering heat, power and transport, used to identify and prioritise the projects (retrofit, heat networks, renewables) most likely to deliver local net zero targets and to give investors confidence that a pipeline is grounded in real local evidence rather than an aspiration.
Managing Public Money (MPM)	any finance structure must comply with MPM principles, ensuring value for money and transparency.
Non-recourse financing	is a funding approach where repayment comes from the project's own savings or income, not from the organisation's wider budget. If the project does not perform as expected, the lender cannot require the local authority to cover the shortfall.
Power Purchase Agreement (PPA)	is a long-term contract between an electricity generator (e.g., a wind or solar farm) and a buyer (off-taker), in which the buyer agrees to purchase electricity at a pre-agreed price for a set period (often 10-25 years).
Private Wire PPAs	a direct energy supply arrangement between an energy generator (typically a renewable energy producer) and a corporate or institutional buyer, through a private wire connection, bypassing the grid.
Project Finance	the funding of long-term infrastructure projects and public services using a non-recourse or limited-recourse financial structure. The debt and equity used to finance the project are paid back from the cash flow generated by the project.
Refinancing	typically involves replacing existing high-cost financing with new, lower-cost financing once a project has been de-risked, such as when it's fully operational and generating predictable cash flows.
Regional Energy Strategic Plan (RESP)	is the regional-scale equivalent of a Local Area Energy Plan, setting out energy system priorities and investment needs across a wider area such as a combined authority footprint, and used to coordinate LAEPs prepared by individual local authorities within it.
Repayable debt	is any money borrowed that must be paid back according to agreed terms.
Repowering	is the stage of a project where the infrastructure is renewed to continue to generate the optimal amount of power without high maintenance and repair costs.
Resource Departmental Expenditure Limit (RDEL)	covers a government department's day-to-day running costs such as salaries, utilities and office supplies.
Solar-as-a-Service	is a specific EaaS model focused on solar PV, where the provider funds and owns the solar installation and sells the electricity to the customer under a long-term Power Purchase Agreement (PPA) or service contract. This enables

	immediate access to low-carbon power with no upfront cost, predictable pricing, and reduced operational risk.
Special Purpose Vehicles (SPVs)	are used by local authorities to deliver net zero projects by ring-fencing risk, finance, and liabilities outside the council's balance sheet. They enable councils to attract private and institutional investment, comply with borrowing and state-aid/subsidy rules, and retain long-term influence and financial benefit from strategically important net zero infrastructure.
Teckal exemption	is a legal exemption that allows a local authority to procure services from an entity it controls or jointly owns (such as a wholly owned SPV) without needing to run a full competitive tender, provided the entity carries out most of its activities for the controlling authority.
Warm Homes Fund (WHF)	the £5 billion finance vehicle within the Warm Homes Plan, structured as Capital Departmental Expenditure Limits (CDEL) Financial Transactions. Money must be deployed as loans or repayable instruments rather than grants, with repayments recycled for future investment. Comprises £1.7bn consumer loans for owner-occupiers, and £3.3bn for innovative finance including area-based funds, blended finance, heat network finance, and Energy-as-a-Service models.
Weighted Average Cost of Capital (WACC)	is the blended cost of all funding sources used in a project, weighted by their proportion of the total capital stack, and determines whether a project's returns create or destroy value relative to that cost.