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## Briefing 2: Retrofitting social housing, Community Municipal Investments (CMIs), and informing the public

The following briefing note summarises some of the key findings and recommendations from NEF's recent report for Hampshire County Council, 'A Green Economic Recovery for Hampshire'. For the full report see [Hampshire 2050/NEF](#)

### Background

Community Municipal Investments (CMIs) can provide a cost-effective way of funding the retrofitting of social housing and local energy generation projects. They can enable local authorities to raise capital effectively while increasing awareness and civic engagement. For citizens, they provide a low-risk and fixed-term investment, and a way to mobilise their savings to help tackle climate change in their area. Initial NEF/Abundance Investments estimates suggest CMIs could fund around £3.7bn<sup>1</sup> of investment in Hampshire.

### Recommendation: Support the development of finance for council-owned housing stock through Community Municipal Investments

The council should collaborate with lower-tier authorities to support the retrofit of council-owned stock. Funding can come from existing renovation, maintenance, and improvement (RMI) budgets, from borrowing from the Public Works Loans Board (PWLB), and/or issuing a Local Climate Bond (LCB), a type of CMI. Structured as a regulated investment bond, LCBs often offer a lower cost of borrowing to councils than the PWLB. They can also powerfully communicate the benefits of retrofit to residents and the council's commitment to tackling climate change.<sup>2</sup>

There seems to be strong demand for such a model. While 68% of respondents to a recent government survey indicated that they would like their investment to be sustainable if they had the choice, only 13% say they currently hold a sustainable investment.<sup>3</sup> CMIs can satisfy residents' underserved desire for sustainable investments and give them a stake in their local communities.

A pilot with **West Berkshire Council** saw LCBs raise £1m to build new rooftop solar power and support the ambition of making the district carbon neutral by 2030.<sup>4</sup> **Warrington Council** raised the same amount to support the financing of a multi-million-pound innovative solar and battery storage project, as part of its ambition to become the UK's first carbon-neutral town.<sup>5</sup> Over 800 investors invested in the two pilots, with 17% of people investing less than £100. Notably, 15% of CMI investors chose to donate interest accrued back into the council, to help fund local climate initiatives.<sup>6</sup> Building on these successes, five councils – Blaenau Gwent, Cotswold, Eastbourne, Islington, and Lewes – have now committed to exploring the launch of a CMI within 18 months.

### Recommendation: Drive forward progress on retrofit in council-housing and the 'able to pay' market segments

The council should work with lower-tier authorities to finance the retrofit of council housing stock and establish a one-stop shop that serves the needs of better-off privately owned households. (Refer to [Briefing 1](#) for more information on the one-stop shop.) Action should then expand to harder-to-reach groups as skills, resident engagement, and financing develops. Both the [Optimised Retrofit Programme in Wales](#) and the [Energiesprong Initiative in Nottingham](#) are valuable case studies for how councils can drive the action forward in these segments.

### The government's Heat and Buildings Strategy

The new strategy<sup>7</sup> earmarks £3.9bn to support low-emissions homes. Building on its commitment in the 2020 Spending Review, this government has also allocated an additional £950m of funding over 2022–2025 to the existing [home upgrade grant](#) (HUG) and £800m to the [Social Housing Decarbonisation Fund](#) (SHDF), both of which address energy performance in low-income households. The former covers improving the energy performance of low-income households' homes, while the SHDF specifically covers the retrofit of social housing. Over the same period, funding has also been boosted in the Public Sector Decarbonisation Scheme (for £1.425bn), the Boiler Upgrade Scheme (£450m), and the Heat Network Transformation Programme (£338m).

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## Summary

The council should work in partnership with lower-tier authorities to use CMIs to support the retrofit of council-owned housing stock. Often a cheaper option for local authorities than PWLB loans, CMIs offer significant scope for creating social, environmental, and economic value. CMIs also act as a powerful communication tool for the benefits of retrofit and the council's commitment to addressing climate change.<sup>8</sup> Moreover, they offer people a stake in their local communities while satisfying residents' underserved desire for sustainable investments.

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<sup>1</sup> Derived from Abundance Investment estimates of £200m for CMIs per 100,000 people. Estimated population of Hampshire, including Portsmouth and Southampton: 1,856,800.  $(1,856,800/100,000)*£200,000,000 = £3,713,600,000$ .

<sup>2</sup> Green Finance Institute. (n.d.). Local Climate Bonds. London: GFI. Retrieved from <https://www.greenfinanceinstitute.co.uk/lcbs/> [accessed 8 February 2022].

<sup>3</sup> GOV.UK. (2019). *Investing in a better world: Understanding the UK public's demand for opportunities to invest in the Sustainable Development Goals*. Retrieved from [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/834207/Investing-in-a-better-world-full-report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/834207/Investing-in-a-better-world-full-report.pdf)

<sup>4</sup> West Berkshire Council. (n.d.). Helping West Berkshire build back greener [webpage]. Retrieved from <https://www.abundanceinvestment.com/west-berkshire> [accessed 8 February 2022].

<sup>5</sup> Warrington Borough Council. (n.d.) Warrington 2025 [webpage]. Retrieved from <https://www.abundanceinvestment.com/our-impact/investments/warrington-2025> [accessed 8 February 2022].

<sup>6</sup> Warrington Borough Council. (n.d.) Warrington 2025 [webpage]. Retrieved from <https://www.abundanceinvestment.com/our-impact/investments/warrington-2025> [accessed 8 February 2022].

<sup>7</sup> GOV.UK. (2021). *Heat and Buildings Strategy*. London: BEIS. Retrieved from [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1026507/heat-buildings-strategy.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1026507/heat-buildings-strategy.pdf)

<sup>8</sup> Green Finance Institute. (n.d.). Local Climate Bonds. London: GFI. Retrieved from <https://www.greenfinanceinstitute.co.uk/lcbs/> [accessed 8 February 2022].

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