
Briefing 3: Debt-based financing options and the need for blended financing

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

Housing retrofit can be funded in various ways, with the suitability of each depending on the type of tenure, investment, cost-saving profile, and socio-economic profile of residents. For lower-income households and those living in fuel poverty, debt-based financing can only go so far. There is broad recognition that debt finance is not suitable for a sizeable segment of properties. Many households will require grants to cover the financial costs of retrofitting their homes, or a blended finance approach, where the renovation costs are partially grant-funded and partially from low-interest debt. This can partly be drawn down from government funding and grant support, as earmarked in the new Heat and Buildings Strategy. However, these committed funds are arguably inadequate and are unlikely to meet the extent of the need.

Recommendation: Assess the investment needed to decarbonise the housing stock and inform residents of financing options

The council should thoroughly assess the investment required to decarbonise Hampshire's housing stock, and the related income profile and tenure of property occupiers. This should include appropriate financing options to enable the council to evaluate the financial investment required to decarbonise each property in Hampshire.

The council has already taken steps towards this ([Briefing 7](#)) and should ensure this work outlines the potential bill savings associated with doing so, the financial profile of occupants and owners, and the appropriate financing options for each property. Modelling experts, as well as internal and external socioeconomic expertise, will be critical collaborators here.

Recommendation: Communicate the different blended financing options to residents

At a minimum, the council should use the one-stop shop ([Briefing 1](#)) to create a central hub of information for residents interested in retrofitting privately owned property. It should signpost residents to upcoming grants and collaborate with both financial service providers and community groups. Residents should be given guidance on how to choose the most appropriate financing for their circumstances. Customers should be informed on what measures are possible, perhaps by being provided with Building Renovation Passports¹ and a long-term renovation plan that can be implemented flexibly.¹

Recommendation: Support the expansion of long-term financing options for residents

The council should work with home improvement loan providers, mortgage providers, and green finance experts to identify existing finance available in Hampshire. It should support the development of additional financing through initiatives like Lendology's retrofit-targeted financing facility (detailed in the full report, *A Green Economic Recovery for Hampshire*). The council could contribute to this funding pool and use its status to signpost residents to initiatives, where appropriate. This could also be operationalised through existing local government duties, such as inspecting multiple-occupation houses.

The government's Heat and Buildings Strategy

The government's new Heat and Buildings strategy² earmarks £3.9bn to support low-emissions homes, with an additional £950m of funding over 2022–2025 allocated to the existing [Home Upgrade Grant](#) (HUG). This can be used by local authorities to support low-income households switching from gas boilers to heat pumps.

The new £450 million Boiler Upgrade Scheme (previously the Clean Heat Grant) will offer grants of £5,000 to support households switching to low-carbon heating. The scheme promises to install 90,000 heat

¹ A Building Renovation Passport is a document outlining a long-term (up to 15-20 years) step-by-step renovation roadmap to achieve deep renovation for a specific building.

pumps over three years, which fails to live up to the government's target of 600,000 installations per year by 2028.³ The announcement also comes seven months after the government scrapped its £1.5bn Green Homes Grant, and the funds fall far short of the £9.2bn promised in the Conservatives' 2019 manifesto on energy efficiency by 2030. Despite shortfalls in funding and government commitment, the scheme still seems to have sparked high levels of public interest.⁴

Summary

The council can analyse appropriate financing options and savings for each property by thoroughly assessing the investment needed to decarbonise Hampshire's housing stock and the profile of property occupiers. Hampshire has already taken promising steps to do so. Furthermore, as part of Hampshire's one-stop shop, the council should work with home improvement loan providers, mortgage providers, and green finance experts to identify existing finance available in Hampshire, and support the development of, and signposting to, additional financing for residents. The council should also explore using funds earmarked in the government's new Heat and Buildings Strategy to help make retrofit possible for lower-income households.

¹ Sero is currently working with Monmouthshire Building society to develop this. More information on the approach can be found at:

Green Finance Institute. (2020). *Financing energy efficient buildings: The path to retrofit at scale*. London: GFI. Retrieved from <https://www.greenfinanceinstitute.co.uk/wp-content/uploads/2020/06/Financing-energy-efficient-buildings-the-path-to-retrofit-at-scale.pdf>

² 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

³ In the Government's Ten-Point Plan for a Green Industrial Revolution, 2020, GOV.UK. (2021). The Ten Point Plan for A Green Industrial Revolution. Retrieved from <https://www.gov.uk/government/publications/the-ten-point-plan-for-a-green-industrial-revolution/title>.

⁴ Grundy, A. (2021). BEIS to spend just 20% of £1.5bn Green Homes grant funding. *Current News*, 8 September. Retrieved from <https://www.current-news.co.uk/news/beis-to-spend-just-314m-of-the-1-5bn-green-homes-grant-scheme>.
