
Title: Retrofit Programme 2025-27 – Low Interest Loan Approval of Delivery Approach
Portfolio: Home of the Green Energy Revolution
Responsible Director: Phil Witcherley, Director of Economic Growth and Innovation
Report Author: Laura Hood, Programme Manager (Domestic Retrofit)

Report Summary

The purpose of this report is to approve the proposed delivery model for the North East Combined Authority (North East CA) Low Interest Domestic Retrofit Loan Scheme (the Scheme) and authorise commencement of procurement to appoint a specialist provider to administer the product within the previously approved £4,215,575¹ Retrofit Programme 2025-27 funding allocation. The proposal to deliver a loan scheme and associated funding was approved and committed in principle in June 2025; this decision confirms the details of the loan scheme, developed in consultation with Finance colleagues.

The Loan Scheme is part of the wider Retrofit Programme 2025-27 which brings forward activity to accelerate retrofit across the region, improving housing quality and reducing fuel poverty. The Loan Scheme will be delivered alongside other interventions, providing a mechanism to support the wider market to adopt energy saving improvements including private sector landlords and owner occupiers. Poor quality housing and high energy bills disproportionately impact low-income families, and this focus will support the Mayor's priorities on warm homes, household resilience and reducing child poverty.

Recommendations

The Chief Executive is recommended to:

- i. Approve the delivery model for the Low Interest Domestic Retrofit Loan Scheme as set out in this report; and
- ii. Approve commencement of a procurement process to appoint a specialist provider on a fixed-price service contract within the previously allocated programme budget of up to £1.6m to manage delivery of the Loan Scheme.

Executive Summary

The North East CA has previously approved the proposal to offer low interest domestic retrofit loans and committed the funding in principle as part of the wider Retrofit Programme 2025-27, recognising the need to support households and private landlords where upfront cost is the main barrier to installing energy efficiency measures. With some national grant schemes ending in March 2026 and national consumer loans announced in January as part of the Warm Homes Plan² not expected to be operational until 2027, there is a clear gap in affordable finance as well as an opportunity for the North East CA to lead the way with delivery. Proceeding now means that the Loan Scheme complements the live North East Warm Homes One Stop Shop (One Stop Shop) service and ensures the region maintains momentum, accelerates clean energy installations, targets fuel poor and private rented sector households, and strengthens the North East CA's capability, delivery track record and readiness ahead of devolved retrofit funding.

This decision confirms how the loans will be delivered: through procurement of a specialist provider to administer the product via a fixed-price model, integrated with the One Stop Shop. The loans will offer affordable finance for eligible measures within the budget previously allocated, with no new funding sought.

¹ <https://www.northeast-ca.gov.uk/governance/delegated-decisions> - June 2025 Retrofit Programme

² <https://www.gov.uk/government/publications/warm-homes-plan>

A. Context

1. Background

- 1.1 In June 2025, under delegated authority, the Chief Executive approved up to £4,215,575 from the Investment Fund for the Retrofit Programme 2025-27. This included approval in principle of a low/zero-interest loan scheme up to a value of £1.6m, with a requirement for the delivery model to be approved via a subsequent Delegated Decision before implementation.
- 1.2 Further development work with Finance colleagues, informed by soft market testing with potential delivery partners, has confirmed that the loans should be offered as a low interest product rather than at zero interest. This approach balances affordability for residents with prudent financial management for the North East CA, supporting both take-up and long-term sustainability.
- 1.3 Soft market testing has indicated that a modest interest rate would not act as a barrier to demand and that customers value clarity and certainty. On this basis, the interest rate will initially be set at 4% annual percentage rate (APR) broadly aligning with comparable schemes in other regions where similar rates have delivered strong demand. The rate will be fixed at launch to provide confidence for customers, while retaining flexibility to review and adjust if required in response to scheme uptake, prevailing market conditions, inflation, or cost-of-capital changes, working closely with the appointed provider and with any adjustments dependent on the approval of the Director of Finance. This approach manages financial risk for the North East CA while allowing the Loan Scheme to remain responsive over time.
- 1.4 Finance colleagues also advised that the procurement should adopt a fixed-price model, ensuring cost certainty for the Authority regardless of the number or value of loans administered. Under this approach the service fee is clearly defined upfront, creating a financially sustainable structure for the pilot and reducing exposure to variability in demand.

2. Proposed Delivery Approach

- 2.1 The delivery approach has been developed in collaboration with the North East CA's Finance Team as well as through soft market testing and consideration of similar schemes delivered by other Combined and Local Authorities. This approach is summarised below and has been incorporated into the draft specification to be published inviting bids to work with the North East CA to deliver the Scheme.
 - **Product:** Low-interest loans, initially set at 4% APR but subject to review as per para 1.3, to support private landlords and owner occupiers to install eligible retrofit measures (e.g. insulation, heat pumps, solar PV, battery storage, ventilation, and enabling works). Loans of £2,000 to £25,000 may be granted, with terms up to 10 years and no penalties for early repayment.
 - **Administration:** Appoint a specialist lender/administrator via open procurement on a fixed-price service contract (not price-per-loan), covering Financial Conduct Authority (FCA) compliant underwriting, affordability checks, disbursement of post-installation evidence, arrears management, customer service and reporting. Responsible lending will be assured; the specification emphasises that all applicants must be provided clear advice on the financial implications of taking out a loan including expected payback period for the installed technology, and that this must be accompanied by robust financial assessments of applicants to ensure suitability for loans and that repayments are manageable. Only the contracted FCA-registered provider will offer advice to residents as to whether a loan is appropriate for them; this will not be provided by the CA in any capacity including through its One Stop Shop service, whose role with regards to this scheme will be one of signposting only.
 - **Integration:** Seamless referrals from the One Stop Shop, ensuring a single customer journey from advice - finance - installation. The One Stop Shop expressly targets support towards fuel poor households in the private rented sector and the loans will provide a key mechanism to

facilitate private rented sector landlords making improvements to properties from which their tenants also benefit. Consumers may also access the loans directly.

- **KPIs and Controls:** A specialist provider will be appointed and managed on the basis of the number of loans delivered and measures installed, customer satisfaction, repayment performance (with realistic thresholds), and risk controls (e.g. title restriction or equivalent where appropriate).
- **Funding:** Implemented with the previously allocated programme budget, including a £1m loan pot (repayable to the North East CA) and a capped, fixed service fee to be determined through competition. No additional funding is sought.
- **Pilot and Evolution:** Operate as a pilot to 2028, with potential to evolve to a revolving model as repayments accrue, subject to review and dependant on the launch of a national scheme. Opportunity to feed in learnings from the pilot to a future central Government product, and to demonstrate capability for local delivery.

3. Outputs and Outcomes

3.1 A minimum number of loans is set as a performance target to reflect the wide range in possible loan values (£2,000–£25,000), with the expectation that the loan portfolio will comprise a mix of smaller and higher-value loans, which makes the exact number of loans unpredictable. Alongside this, targets are also set for the proportion of the loan pot to be allocated, ensuring both the volume of loans and the overall capital distribution remain on track.

3.2 A list of the outputs and outcomes to be required of the Loan Scheme provider is set out below:

Outputs	2026/27	2027/28	By 2037/38	Total
Minimum number of loans delivered based on a loans range of £2k-£25k	60	140		200
Percentage of loan pot allocated	30%	70%		100%
Achieve a minimum of 95% level of capital repayment on loans paid out	-	-	>=95%	>=95%
Customer Satisfaction (to be defined by supplier and agreed by the North East CA)	>=85% positive	>=85% positive	>=85% positive	>=85% positive
Outcome	2026/27	2027/28	By 2037/38	Total
Number of retrofit measures installed	90	210		300

3.3 The outputs and outcomes above represent additional value beyond those approved in the original Delegated Decision, which related solely to the One Stop Shop. These new outputs and outcome reflect the specific contribution of the proposed loan pilot and sit on top of the One Stop Shop delivery figures. The One Stop Shop will continue to deliver the core programme outputs already approved, while the loan provides a further mechanism to convert advice into installations and therefore generates incremental, not replacement, outputs for the programme.

4. Timetable for Implementation

Milestone	Forecast Date
Contract Award	July 2026
Mobilisation and Setup	July/August 2026
Service Live	August 2026
Final Loan Distribution	March 2028
Loan Administration Phase	April 2028 – May 2038
Final Contract Review – approval of final report and KPI achievement	May 2028
Final Finance Review – reconciliation of all repayments received	May 2038

B. Potential Impact on North East Combined Authority Objectives

The proposed Loan Scheme will contribute to the North East CA's strategic objectives by accelerating retrofit across the region, improving housing quality and reducing fuel poverty. The Retrofit Programme 2025-27 has already demonstrated clear alignment with the Corporate Plan missions, including creating a North East that is "home of the green energy revolution" and "a North East we are proud to call home," and the loan scheme strengthens this further by providing a mechanism to support the wider market to adopt energy saving improvements including private sector landlords and owner occupiers. By expressly targeting the private rented sector the Loan Scheme complements the One Stop Shop and supports the Mayor's priorities on warm homes, household resilience and reducing child poverty, recognising that poor quality housing and high energy bills disproportionately affect low income families.

The Loan Scheme will also support wider economic objectives by helping to grow the regional retrofit supply chain and stimulating demand that underpins new skilled jobs across energy efficiency, heating and installation services. Research cited in the Retrofit Programme shows that sustained retrofit activity could create between 1,500 and 3,500 full-time equivalent jobs by 2030, rising further by 2050, demonstrating the economic and skills benefits associated with a stable pipeline of work.

Maintaining activity ahead of national schemes coming online will help retain and grow capacity locally. The Government intends to consult with Combined Authorities and Local Authorities already operating loan schemes to inform the design of the national offer. Having an operational scheme in the North East places the region in a strong position to influence national policy, demonstrate leadership, and strengthen the case for devolved retrofit funding.

The introduction of the Loan Scheme will also support regulatory and social objectives. With strengthened Minimum Energy Efficiency Standards for private rented homes expected by 2030, landlords will need accessible, affordable finance to make required improvements. A local low interest loan scheme offers a practical route to compliance and supports the North East CA's wider ambitions to tackle fuel poverty, improve living conditions and reduce health inequalities linked to cold and inefficient housing.

C. Key risks

A comprehensive risk assessment was undertaken during the development of the Retrofit Programme 2025-27. Further key risks relevant to the loan pilot are summarised in the table below. These risks are manageable and mitigated through the proposed delivery model, the fixed-price procurement approach and integration with the existing programme structures.

Risk	Mitigating activity
Demand is low and loans are not taken up	Addressed through the One Stop Shop integration and targeted communications to fuel-poor households and private rented sector. KPIs include mid-point allocation thresholds. Assumptions are based on soft market testing and other CA experiences of delivery.
Insufficient proportion of applications convert to installation	The Loan Scheme will specifically tackle the upfront cost barrier; provider to support customers from application to completion and blend with grants where possible.
Loans are not repaid (high rate of default)	Procurement and contracting will ensure appointment of experienced provider, affordability checks, proportionate security (e.g. title restriction) and KPI on repayment performance. Low default rates found through soft market testing and other CAs with loans in delivery.
Policy shifts	Contract requires flexibility to align with evolving national offers and local strategy; the pilot design allow adjustments as national arrangements go live.
Long contract term	A 12 year contract term enables administration of loan repayments for the full repayment periods of up to 10 years. Legal colleagues have been consulted and advised that the contract Terms & Conditions will enable ending of the contract at the CA's will if required.

D. Financial and other resources implications

The table below sets out the funding previously approved through the June 2025 Delegated Decision and the final funding position given that, following development work with Finance colleagues, it has been agreed that the product will be offered on a low interest basis rather than at 0% interest. The loan pot will remain at £1 million as per the June 2025 decision. Procurement will proceed on the basis of a fixed-price service fee expected to be up to £350,000 with final costs confirmed through the competitive process.

Funding source: North East CA Investment Fund	Approved in June 2025	Final design agreed with Finance
Low/Zero Interest Loans – upfront loan value to be recouped through repayments	£1,000,000	£1,000,000
Low/Zero Interest Loans – net cost of provider’s service fees plus cost of covering interest if offered at 0%	£588,302	£350,000
Total (£)	£1,588,302	£1,350,000

* Repayments on the £1 million loan pot are returned to the North East CA over a 12-year period.

E. Legal implications

The Monitoring Officer has been consulted on this report. Private rented sector landlords constitute economic entities and therefore the amount of interest which a borrower would save when compared to the market rate could constitute a subsidy.

Robust controls will be put in place to ensure that all recipients of a loan complete a Minimal Financial Assistance declaration to certify that any such element of subsidy does not breach the Minimum Financial Assistance limit (£315,000) and therefore complies with the Subsidy Control Act 2022.

F. Equalities implications

The North East CA complies with the Public Sector Equality duty and this report has due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010. A full Equality Impact Assessment was undertaken in reference to the Retrofit Programme 2025-27 in liaison with the Equalities Team. The procured delivery partner will be required to deliver the service in line with the Equality Impact Assessment’s findings.

G. Consultation and engagement

Extensive consultation and engagement was undertaken throughout development of the wider Retrofit Programme 2025-27 of which this forms part. In terms of the Loan Scheme specifically, the delivery model proposed has been developed in conjunction with the Finance Team alongside advice from Legal and Procurement regarding subsidy control and procurement arrangements for such a contract. Consultation has also been undertaken with key stakeholders including Local Authority partners and members of the North East Warm Homes Taskforce. The “Home of the Green Energy Revolution” Portfolio Advisory Board has been consulted and is supportive.

H. Appendices

None

I. Background papers

[Cabinet Decision Notice](#), 30th July 2024

[Delegated Decisions \(northeast-ca.gov.uk\)](#) 4 Month Extension OSS and LEAD, 5th March 2025

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K. Consultee

Cabinet Member:	Director/Head of Service:	Director of Finance and Investment:	Monitoring Officer:
Yes	Yes	Yes	Yes