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**Title:** Retrofit Programme 2025-28 – Project Change Request for Transition Funding  
**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 Project Change Request to expand the scope and funding of the Retrofit Programme 2025-28 to incorporate £2,566,500 of transition funding awarded by the Department for Energy Security and Net Zero (DESNZ) during 2026/27. The additional funding will support enhanced retrofit activity for off-grid households, increased organisational capacity and capability, and continued development of the regional retrofit strategy.

## Recommendations

The Chief Executive is recommended to:

- i. Approve the Project Change Request to expand the scope of the Retrofit Programme 2025-28 to incorporate £2,566,500 of Department for Energy Security and Net Zero Transition Funding and the associated activity set out in this report.

## Executive Summary

The Department for Energy Security and Net Zero has awarded the North East Mayoral Strategic Authority (North East MSA) £2,566,500 of transition funding during 2026/27 to prepare for the devolution of retrofit funding through Integrated Settlement from 2027/28 onwards. The funding is intended to support the North East MSA to develop the capacity and capability required to undertake the strategic role currently fulfilled by central government and to demonstrate readiness through DESNZ's retrofit health check process.

This report seeks approval of a Project Change Request to incorporate the transition funding into the existing Retrofit Programme 2025-28. The proposal will support targeted activity for off-grid households, increase organisational capacity and capability, and contribute towards development of a regional retrofit strategy.

The proposed approach has been developed in consultation with Local Authority partners, delivery partners and DESNZ and represents the most expedient route to delivering support within the available timeframe while ensuring the North East MSA is well positioned for devolved retrofit funding from 2027/28.

### A. Context

#### 1. Background

- 1.1 DESNZ has confirmed its intention for the North East MSA to receive devolved retrofit funding through Integrated Settlement from 2027/28, subject to the organisation demonstrating sufficient capacity and capability through a future health check process.
- 1.2 In recognition of this, DESNZ has awarded the North East MSA £2,566,500 of transition funding during 2026/27. Cabinet approved acceptance of the funding on 21 July 2026.
- 1.3 The existing Retrofit Programme 2025-28, approved by the Chief Executive on 30 June 2025, delivers the North East Warm Homes advice service and supports wider activity to improve housing quality,

reduce fuel poverty and prepare the region for devolved retrofit funding. This report seeks approval of a Project Change Request to incorporate the transition funding into that programme.

- 1.4 The authority for the Chief Executive to approve investment decisions associated with the programme derives from Cabinet Decision C24/7/24 of 30 July 2024, which delegated authority to the Chief Executive to progress business cases and make investment decisions associated with activities described in the Strategic Portfolio Plans, in accordance with the North East Single Assurance Framework.

## 2. The Project Change Request

- 2.1 The Project Change Request comprises three elements.

### 2.2 Enhanced support for off-grid households – £2,253,519

The funding will provide enhanced support for off-grid households through capital-funded retrofit measures alongside additional engagement and advice activity delivered through existing North East Warm Homes arrangements. Funding will focus on improving comfort and warmth, reducing energy costs and increasing energy resilience. Example measures include:

- Solar PV
- Battery storage
- Insulation measures
- Air source and ground source heat pumps

Delivery will be channelled through the existing North East Warm Homes One Stop Shop service to enable mobilisation at pace and ensure capital funding is supported by appropriate advice and engagement.

### 2.3 Increased capacity and capability – £227,007

The proposal includes funding for additional staffing within the Warm Homes Unit together with specialist technical support to strengthen governance, financial management, risk management and programme development ahead of devolved retrofit funding.

### 2.4 Strategy development – £85,974

The proposal will also fund development of the regional retrofit strategy through transition funding. This replaces an equivalent contribution previously allocated from the Investment Fund.

## 3. Outputs and Outcomes

- 3.1 The Project Change Request will increase programme outputs as follows:

| Outputs                                                                    | Original Target | Revised Target | Variance |
|----------------------------------------------------------------------------|-----------------|----------------|----------|
| Number of properties with low or zero carbon efficiency units installed    | 245             | 315            | +70      |
| Number of households provided advice to take up energy efficiency measures | 3,196           | 3,266          | +70      |

- 3.2 Additional Department for Energy Security and Net Zero outputs:

| Outputs                                                        | 26/27 | Total |
|----------------------------------------------------------------|-------|-------|
| Number of off-grid households with measures installed (funded) | 70    | 70    |
| Number of measures installed in off-grid households (funded)   | 105   | 105   |

## B. Potential Impact on North East Mayoral Strategic Authority Objectives

The activity introduced by the Project Change Request supports the North East MSA's ambition to be the Home to the Green Energy Revolution by improving housing quality, reducing household energy costs and accelerating retrofit activity across the region.

The funding will also support the North East MSA's preparedness for devolved retrofit funding from 2027/28 by strengthening capacity and capability and supporting delivery experience during 2026/27. This is a critical step in securing long-term devolved funding and establishing the mechanisms required to operate at scale.

In the short term, the funding responds to acute cost-of-living pressures, particularly for off-grid households who face significantly higher energy costs due to reliance on oil heating. Targeted support through funded installations will provide immediate financial relief for these households, alongside longer-term improvements in energy resilience, thermal comfort and carbon reduction.

### C. Key risks

| Risk                                                                                        | Impact                                                                                                   | Mitigation                                                                                                                                                                                                          |
|---------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Demand from eligible off-grid households is lower than anticipated.                         | Reduced delivery against output targets and diminished programme impact.                                 | Pipeline of engaged households already identified through community partners; delivery targeted via trusted organisations with established local reach and relationships.                                           |
| Delivery timescales are insufficient to complete installations within delivery window.      | Under-delivery of outputs and potential under-utilisation of funding within delivery window.             | Delivery through existing, mobilised One Stop Shop service; use of established delivery partners and supply chains who have confirmed capacity to delivery at pace.                                                 |
| Supply chain capacity constraints impacting delivery.                                       | Delays to installation and reduced number of measures completed.                                         | Delivery via existing contractual arrangements with managing agent and installer network; clustering of rural delivery to improve efficiency and optimise installer resource.                                       |
| Overlap with existing grant funding reducing additionality.                                 | Ineligible spend and reduced value for money.                                                            | Clear eligibility criteria and oversight to ensure funding is targeted at households not eligible for existing schemes; delivery partners with established experience in coordinating and aligning funding streams. |
| The programme does not sufficiently evidence delivery capacity for devolution requirements. | Potential impact on the North East MSA's ability to demonstrate readiness for devolved retrofit funding. | Programme designed to provide demonstrable delivery experience within delivery window; Department supportive of plans with view to demonstrating readiness.                                                         |

### D. Financial and other resources implications

#### D1. Financial and other resources implications

| Funding Source  | Currently Approved | Updated Figures | Variance    |
|-----------------|--------------------|-----------------|-------------|
| Investment Fund | £4,215,575         | £4,129,601      | -£85,974*   |
| DESNZ           | £0                 | £2,566,500      | +£2,566,500 |

|              |                   |                   |                   |
|--------------|-------------------|-------------------|-------------------|
| <b>Total</b> | <b>£4,215,575</b> | <b>£6,696,101</b> | <b>£2,480,526</b> |
|--------------|-------------------|-------------------|-------------------|

*\*Reduction in Investment Fund funding as Strategy Development will now be funded by Central Government transition funding*

Use of Department for Energy Security and Net Zero funding

| <b>Funding source – Central Govt. Section 31 Grant</b> | <b>26/27</b>      | <b>Total</b>      |
|--------------------------------------------------------|-------------------|-------------------|
| Support for off-grid households                        | £2,253,519        | £2,253,519        |
| Staffing from 01/09/2026-31/03/2027                    | £177,007          | £177,007          |
| Procured Technical Support                             | £50,000           | £50,000           |
| Strategy development                                   | £85,974           | £85,974           |
| <b>Total (£)</b>                                       | <b>£2,566,500</b> | <b>£2,566,500</b> |

Transition funding via a Section 31 grant is expected October 2026.

## **E. Legal implications**

Comments of the representative of the Monitoring Officer have been incorporated into the report.

## **F. Equalities implications**

The North East MSA follows 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. Delivery of the enhanced support for off-grid households will be undertaken in accordance with the existing Equality Impact Assessment completed for the North East Warm Homes service. Delivery partners will be required to comply with its findings.

## **G. Consultation and engagement**

Consultation and engagement have been undertaken throughout development of the proposal to ensure alignment with partners and to incorporate stakeholder views. This has included engagement with Local Authorities, including Economic Directors and Retrofit Leads, delivery partners, existing programme governance groups and the North East Warm Homes Taskforce. Feedback from stakeholders has informed the development of the proposals and there is broad support for the approach.

The proposals have been considered by the Senior Leadership Team and shared with the Department for Energy Security and Net Zero, both of whom are supportive of the programme and its role in supporting readiness for devolution. In parallel, ongoing engagement with other Combined Authorities has enabled the sharing of learning and best practice, which has been used to inform the proposed approach.

Internally, input has been sought from relevant teams throughout development, including the Evidence and Evaluation Team, Equalities Team, Project Assurance Team, Legal and Procurement. The Communications Team has also been engaged to align anticipated communications activity with the existing programme delivery.

## **H. Appendices**

Appendix 1: Health Check Criteria Retrofit

Appendix 2: Warm Homes Unit staffing structure

## I. Background papers

[Delegated Decisions](#) 30 June 2025 – Retrofit Programme  
Cabinet Decision C24/7/24, 30 July 2024, Strategic Portfolio Plans and associated delegations.

## J. Contact officers

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## K. Consultee

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