

# London Net Zero Neighbourhood Programme





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## Introduction

London must rapidly scale up retrofit delivery to meet its net zero target by 2030. Around two million homes - over half the capital's housing stock - require energy efficiency upgrades within this decade.

London has demonstrated strong ambition and success in securing government funding for retrofit initiatives. However, to fully deliver the energy efficiency upgrades that Londoners want and need, we must recognise that existing approaches have limitations in terms of scale, scope and structure. They are yet to provide the long-term pipeline and certainty that both investors and the supply chain require to confidently commit alongside public funding.

To unlock the full potential of retrofit investment, we need to go further. By embracing a bold, innovative delivery model, London can lead the way in reducing costs, tackling inequalities, making people's homes warmer and driving sustainable growth.

We must grasp the opportunity to bring communities together around neighbourhood-based, street by street retrofit, and use that to drive both efficiency and scale: the London Net Zero Neighbourhood Programme does just that.



## What is the London Net Zero Neighbourhood Programme?

London Councils has worked with leading experts – Living Places and the Cities Commission for Climate Investment (3Ci) – to develop a detailed delivery plan for area-based retrofit. Our innovative approach enables stronger regional governance and coordination of key stakeholders, rapid scale-up, unlocking of private investment and inclusive growth. Co-designed with a group of 11 boroughs, the full programme would reach many more.

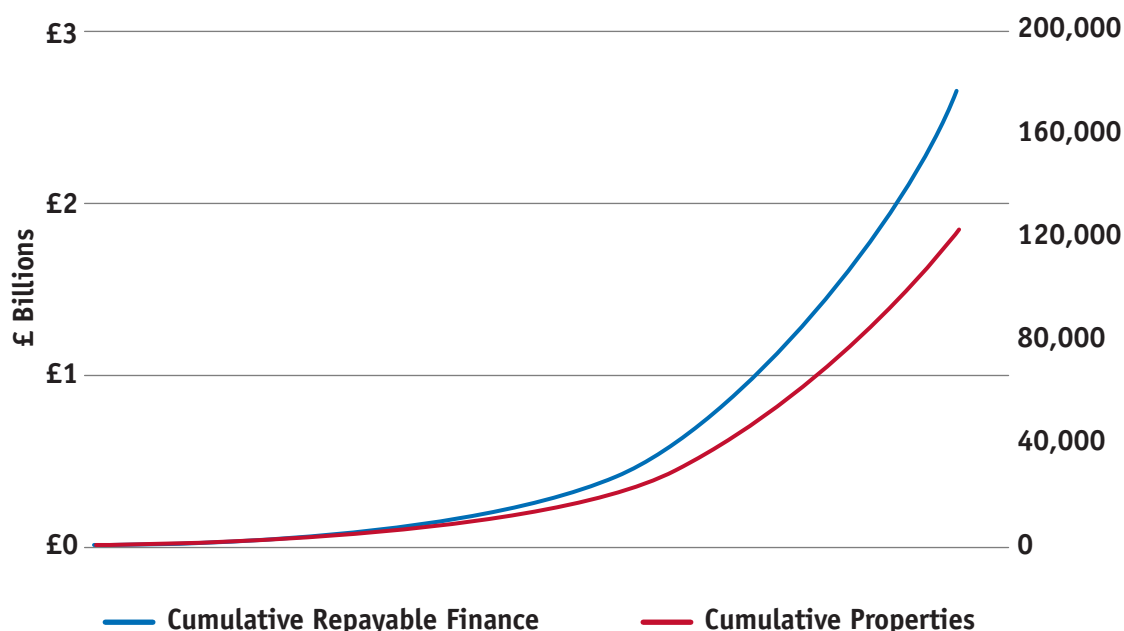
Over five years, the London Net Zero Neighbourhood (NZN) Programme can deliver:

- Over 20,000 properties retrofitted
- £400m in private finance
- Reduced need for additional public investment
- Warmer homes across 18 boroughs

To deliver this programme, London would need £194m government capital funding for the initial five-year period. We would envisage this being part of a national NZN Programme.

As the programme expands to eight years and unlocks economies of scale, it has the potential to deliver £2.7 billion in private finance and an annual delivery rate of 50,000 retrofits (see figure 1).

**Figure 1 No. of properties retrofitted and private finance leveraged rapidly escalates**



Source: Living Places

## Key principles of a Net Zero Neighbourhood Programme

As outlined in [3Ci's 2023 report](#), an NZN Programme is defined as one that:

- Promotes a place-based approach to decarbonisation that promotes community and local authority buy-in and participation.
- Facilitates the delivery of multiple interventions in one place to scale up delivery, generate efficiencies, and derive wider socio-economic benefits.
- Provides a blended funding model, which combines government and outcome-seeking funding, with profit seeking investment.
- Generates revenues that make the programme investable and can be used to fund the programme (repayable finance) and ensures zero upfront costs for residents.

The design of the London NZN Programme builds on the learnings from existing government funded NZN pilot and demonstrator initiatives including the Local Net Zero Accelerator and Net Zero Living programmes. London Councils continues to work in close partnership with many NZN pilot regions, including the West Midlands Combined Authority.

## What are the benefits of this programme?

### For Londoners:

- Reduces disruption for residents by taking a multi-intervention approach and delivering multiple measures at once;
- Offers zero upfront cost by funding measures through a combination of existing grant funds and private finance, repaid over time by the savings from energy bills;
- Generates the confidence to take up retrofit measures through a neighbourhood-by-neighbourhood delivery approach that supports community co-design; and
- Provides a retrofit offer to all types, occupancy and ownership of properties in a neighbourhood.

### For national, regional and local government:

- Enables stronger regional governance and coordination of Clean Power and Warm Homes Plan interventions including aligning heat network zoning, renewable generation investment and buildings energy efficiency.
- Provides coordination of multiple stakeholders, investors and delivery partners;
- Accelerates retrofit delivery by securing longer term finance and funding through an area-based approach;
- Reduces pressure on the public purse by ensuring a credible offer to investors and leveraging in significant private finance;
- Drives equitable outcomes for residents most in need by creating a zero up-front cost solution and reducing fuel bills; and
- Tackles an underdeveloped supply chain that is causing high delivery costs and delays by providing a city-wide, multi-year retrofit pipeline that incentivises investment in jobs and skills.



## How would the model work?

To unlock the myriad benefits outlined above, London needs a strong pipeline of projects and a credible way to pay for them, including a realistic strategy for attracting private repayable finance in the future.

### The operational approach

The London NZN Programme will catalyse rolling area-based programmes of delivery.

Essential to the success of the programme is a set of criteria for the borough projects that make up these programmes of delivery, aligned with a number of priorities including:

- Community engagement and co-design, and supporting a just transition.
- Ability to generate a revenue stream and be aggregated for investment purposes.
- Centred around retrofit, but incorporating other decarbonisation measures including renewable energy and clean heat.
- Range of property type, use and ownership.
- Clearly defined neighbourhoods covering a diverse range of areas across London.

The programme can be broken down into three phases:

**Phase 1:** Programme set-up including recruitment and governance, followed by the initial group of boroughs (Wave 1) developing and delivering projects, and establishing the NZN blended finance facility for securing investment.

**Phase 2:** Maturing the delivery and funding model, including Wave 1 boroughs expanding to more neighbourhoods and initiating a secondary wave of boroughs (Wave 2), and scaling up the NZN blended finance facility.

**Phase 3:** Delivery and investment significantly scales, with multiple waves of boroughs delivering in multiple neighbourhoods, and the project pipeline de-risking over time unlocks further investment.

From pre-existing retrofit programmes, we know that community take up in a specific area will grow over time, with early adopters moving first and gradually building support amongst nearby residents. The Wave 1 boroughs would provide exemplars to residents in the area in year one – an approach successfully demonstrated in Dudley Council’s NZN demonstrator.

Levels of delivery will then increase over time, allowing for delivery capacity to grow and for learnings to be incorporated into future waves.

### The funding model

The London NZN Programme integrates funding mechanisms that can create long-term financial sustainability and scalability.

The programme’s blended finance approach will entail managing a range of private and public funds, including repayable and nonrepayable inputs. The NZN blended finance facility will enable this through a set of carefully administered vehicles.

The facility includes a fund that can deploy revenue for project development, addressing a long-standing challenge in previous stop-start retrofit funding schemes. The Revolving Project Development Fund will initially be financed from a proportion of the £194m capital grant funding and be repaid upon receiving the capital funding required for deployment. In this way it will recycle its initial capital to maximise the number of projects developed.

### Governance

Detailed modelling of the governance, capacity and capabilities required to deliver this programme has also been conducted, benchmarked against comparative programmes.

London has successfully put in place the strategic capability to secure government funding and support the scaled-up delivery of healthier and greener homes through Warmer Homes London (WHL). This includes building the long-term pipeline for domestic retrofit, developing robust delivery and cost data, and agreeing quality assurance standards that will support London boroughs to deliver high quality retrofit. Therefore, the role of WHL in delivering this proposal is being explored.

## Why is an innovative programme needed?

The London NZN Programme presents a step-change in how retrofit can be delivered at scale – combining area-based delivery, a phased and adaptive rollout, and a carefully structured funding mechanism to unlock both public and private investment. This model is not just operationally sound; it is deliberately designed to overcome the systemic barriers that have stalled progress in the past, from fragmented funding to inconsistent delivery capacity. This programme is therefore the only viable route to achieving the scale of retrofit London needs.

In the absence of adopting a NZN Programme, our analysis suggests only two scenarios remain:

- Full government subsidy: £605m government capital grant funding, on top of existing grant schemes.
- Sacrificing ambition: “business-as-usual” approach led by existing government schemes that would continue to deliver low levels of retrofit and lower spend per property.

The first path will fail to unlock private investment and scale at a significant cost to the public purse, whilst business as usual will fail to deliver the warmer homes and decarbonisation that London needs.

## Next steps

The London Net Zero Neighbourhood Programme offers a credible, cost-effective pathway to deliver greener, healthier homes at pace and scale – unlocking private investment, reducing public spend, and creating a zero up-front cost solution for residents.

London boroughs are now ready to move from pilots to delivery, and to mature a scalable approach through on the ground schemes that increase the benefits for our communities. Through boroughs’ own means and climate leadership, many have identified suitable places, begun community co-design processes and commissioned feasibility studies. Many local authorities across the country are also moving in this direction, making a strong case for a national NZN Programme.

London Councils is calling on national government to commit to £194m in capital funding to London boroughs to catalyse this five-year transformational programme that will lay the foundations for long-term, city-wide retrofit delivery.

The capital stands at a critical juncture. To meet its net zero target by 2030, we must move beyond fragmented, short-term retrofit approaches and embrace a bold, scalable solution: the London Net Zero Neighbourhood Programme.

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## Credits

The development of this programme follows on from the December 2023 publication of 3Ci's Prospectus, which outlined the NZN concept and business case and featured propositions from 14 London boroughs.

11 boroughs then came together to commission the development of a shared programme, recognising the efficiencies of shared action and learning. They are: London Borough of Hounslow, London Borough of Lambeth, London Borough of Camden, Royal Borough of Greenwich, London Borough of Islington, London Borough of Newham, City of Westminster, London Borough of Barnet, London Borough of Lewisham, London Borough of Brent, Royal Borough of Kensington and Chelsea. Whilst these boroughs have been most engaged, this programme is more broadly supported across all of London local government.

We would like to give particular thanks to the London Borough of Hounslow for their leading role in the development of the London Net Zero Neighbourhood Programme.

We would also like to credit Living Places and 3Ci for the extensive analysis and modelling for the London Net Zero Neighbourhood Programme.



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