Consultation: Spending Review 2025

HM Treasury

UK100 Submission

Written by:
Tunisha Kapoor
Research and Insights Manager
Tunisha.Kapoor@uk100.org

Patrick Hargreaves
Parliamentary Officer
Patrick.Hargreaves@uk100.org

Liam Ward
Advocacy and Communications Manager
Liam.Ward@uk100.org

Philip Glanville
Advocacy and Engagement Director
Philip.Glanville@uk100.org

About UK100

This submission is from UK100 which is a cross-party network of 117 local authorities and their leaders who have pledged to lead a rapid transition to net zero in their communities ahead of the Government's legal target.

Introduction

The government has demonstrated a clear understanding of the challenges and opportunities in its mission to become a Clean Energy Superpower and its inexorable role in driving local and national growth. The creation of GB Energy and the Local Power Plan as a vehicle for strategic energy investment, coupled with commitments to streamline warm homes funding and move away from competitive short-term funding pots for local authorities, marks positive progress in driving growth and boosting Britain's energy security.

These early steps provide a robust foundation for more comprehensive local energy and retrofit strategies. The government's commitment to devolution and long-term local authority funding, including the recent 6.4% real terms increase in the recent English local government finance settlement is particularly welcome.

By committing to more strategic, multi-year investment approaches, policymakers are creating the certainty that local authorities and businesses need to make bold, transformative investments.

The Autumn Budget 2024's commitment to setting resource budgets for three years and capital budgets for five years is exactly the kind of long-term thinking required to unlock the full potential of local energy systems and building retrofits. These sectors offer an extraordinary opportunity to create jobs, reduce energy costs, and accelerate decarbonisation simultaneously.

Current economic data underscores the potential. While the broader economy grew by just 1% in 2023, the green economy expanded by 9%, contributing £74 billion. For every £1 million in Net Zero business value, nearly £2 million is generated through spillover effects — a multiplier that demands strategic investment.

Local authorities are ready to be key partners in this transformation. Sectors like offshore wind need to triple their workforce from 32,000 to 100,000 by 2030, with the transport sector alone requiring an additional 175,000 employees by 2035. These aren't just jobs, but careers that can revitalise local economies and support a just transition.

The groundwork is laid. The opportunity is clear. By building on recent positive policy interventions and providing local authorities with the tools, funding, and flexibility they need to deliver the national mission, the government can unlock a new era of economic growth driven by local energy and retrofit programmes.

Our submission primarily focuses on MHCLG and DESNZ departmental funding.

Local Power Plan and Local Area Energy Planning (LAEP)

The Local Power Plan represents a transformative shift in Britain's approach to community energy, with GB Energy committing up to £600 million annually for local authorities and £400 million in low-interest loans for communities. The scheme aims to develop up to 8GW of clean power through 20,000 renewable projects by 2030, focusing on small and medium-scale initiatives like solar, wind and hydroelectric schemes.

Success of these ambitions will depend heavily on effective Local Area Energy Planning (LAEPs). These plans enable local authorities to map out comprehensive decarbonisation strategies, covering everything from network configurations and hydrogen opportunities to sector-specific environmental considerations and sustainable transport infrastructure. LAEPs are created by using local data and knowledge, as well as convening stakeholders from the community and energy sector, helping ensure new infrastructure development has local support while optimising grid capacity utilisation. In addition, with NESO developing Regional Energy Strategic Plans (RESPs) incorporating local authority input, Local Area Energy Plans (LAEPs) could serve as a foundational framework. The effectiveness of RESPs depends on the quality of input, and local authorities with LAEPs will be better equipped to provide informed, place-based insights.

Currently, around 100 local authorities are developing or have completed LAEPs, but the map is patchy and many of the local authorities are unable to make such an investment through their own resources. While the previous government committed £104 million through the Prospering from the Energy Revolution programme, an additional £100-200 million would be needed to comprehensively cover all local authorities in England. Separate frameworks and funding exist in Wales and Scotland, with lessons for what this investment could unlock in England.

The potential benefits are significant. The Local Power Plan could revolutionise local energy generation, following successful European models like Denmark, where 52% of wind energy is community-owned. However, substantial challenges remain including grid connections with waiting times of up to 15 years, planning processes needing streamlining, and limited technical expertise within local authorities.

UK100's analysis suggests the proposed £600 million annual funding could be sufficient if properly structured. But to truly unlock the potential of GB Energy, the local foundations need to be invested in via LAEPs. This Spending Review could provide that cost efficient certainty, ensuring that local authorities and communities are more bid and investment ready and that the wider government's capital investment plans are delivered. We estimate that it would require an one-off investment of approx £100-200 million for LAEPs in England, though some organisations such as the Energy Systems Catapult have said the upfront investment required could be as low as £40m.

To maximise impact, the government should establish a standardised framework for LAEPs, create clear fund distribution mechanisms based on need rather than competition. Without addressing these fundamentals, particularly comprehensive LAEPs, the country risks delays in implementing Local Power Plan projects due to grid constraints and potential community opposition.

Community Energy Fund

The previous government's £10 million Community Energy Fund represented a welcome step in supporting both urban and rural communities to develop local renewable energy projects. However, our analysis highlights significant structural challenges that need addressing through the work of GB Energy and DESNZ. The funding landscape has been marked by inconsistency - the closure of the Urban Community Energy Fund in 2016 and subsequent closure of the Rural Community Energy Fund in 2022 created funding uncertainty that has damaged sector development.

Community energy organisations face substantial barriers including high upfront survey and planning costs, limited access to capital, and challenges raising necessary funds without supportive measures like feed-in tariffs. The competitive, short-term nature of funding makes it difficult for groups to plan strategically or achieve economies of scale. Many projects struggle to reach financial viability without long-term revenue support or the ability to sell energy locally. Our submission to the recent committee enquiry has more details on the barriers and recommendations.

The community energy sector varies in capacity and support nationwide. Stronger ecosystems often emerge with places where regional or local government have been able to offer sustained support for the development of organisations and groups. Expanding community energy should look at direct revenue investments into local councils and combined authorities to allow them to take on this local coordination role.

Looking at existing initiatives provides a sense of scale needed - the Greater London Authority accumulated £145 million in carbon offset funds between 2016-2021 for carbon reduction projects, while Project LEO in Oxfordshire represents a £40 million partnership developing smart local electricity systems. Based on these examples and the government's target of 8GW of community energy through Great British Energy, it is clear that scaled up and sustained support is necessary, a programme of at least £100 million annually could provide.

- Grants and low-interest loans for project development
- Support for technical assistance and capacity building
- Resources for local authorities to coordinate community energy initiatives
- Funding to help projects overcome grid connection costs
- Capital to help attract additional private investment

This enhanced long-term funding would help create a more stable framework for community energy development while supporting broader objectives around energy security and local economic growth.

Wherever the final investment position on community energy rests between the government and GB Energy, we need a consistent and ring fenced capital and revenue stream to support councils and community energy organisations to partner, invest and deliver.

Senior Planners

Our members welcomed the £46 million amount of funding for the 300 graduate planners, but are struggling to attract senior planners due to stronger wages in the private sector. We would like an additional £150m to local councils to hire senior planners, with a more diverse range of skills and expertise. This would help deliver up to date local plans and unlock blockages in the system, which will power economic growth.

EPC Reform and Funding for Enforcement

We welcome the government's recent announcement on standards in the private rented sector and the current consultation on reforms to the EPC regime. These are areas UK100 and our members have advocated for over many years, but while it is vital that we improve these areas of policy and regulation, moving from strategy and policy to enforcement of these new standards and delivery will require investment in local authorities and their regulatory teams.

All too often, local authorities lack the resources to inspect, advise, and serve notices to those homes that won't comply with the code. Research shows only 17 out of 268 councils have been able to take any enforcement action on the current EPC standards due to capacity constraints. The government must ensure councils are equipped through the spending review to turn these new rules into warmer homes and lower bills for renters in communities across the country.

Great British Insulation Scheme

The Great British Insulation Scheme (GBIS), launched in March 2023 with £1 billion in funding, aims to help Britain's least energy efficient households reduce bills through improved insulation. While the scheme has shown some progress, with installations increasing from 37,500 measures in 30,200 households by September 2024 to 53,400 measures in 42,600 households by November 2024, it remains significantly behind its target of upgrading 300,000 homes by March 2026.

The current delivery rate presents challenges. With approximately 42,600 households upgraded over 20 months (March 2023 to November 2024), the scheme is achieving roughly 2,130 upgrades per month. At this rate, only about 76,680 homes would be upgraded by the March 2026 deadline - roughly 25% of the target. To achieve the full 300,000 target, the monthly rate would need to increase nearly fourfold to about 8,000 homes per month.

Local authorities are encountering significant barriers, including limited capacity to deliver at scale and complex application processes. Based on the scheme's current £1 billion budget serving 300,000 homes (approximately £3,333 per home) and UK100 member feedback, we estimate local authorities would need additional support of roughly £200 million to build delivery capacity and streamline processes. This figure is calculated assuming £100,000 per local authority (across approximately 350 local authorities) for dedicated staff resources, technical support, and community engagement to accelerate uptake.

The scheme has strengths, particularly in targeting low-income households (49% of measures) and supporting innovation measures. However, without additional local authority support and streamlined processes, achieving its ambitious targets will remain challenging.

Warm Homes: Social Housing Fund and Local Grant

The Government's dual approach to housing retrofit through the Warm Homes: Local Grant (WH:LG) and Warm Homes: Social Housing Fund (WH:SHF) represents important progress in streamlining delivery. Together, they commit £1.79 billion for 2025-2028 (£500m through WH:LG and £1.29bn through WH:SHF), replacing multiple competitive schemes with a more strategic approach.

Warmer Homes mean lower bills and better health. The spending review must deliver on the full £13.2 billion promised for energy efficiency in the manifesto to end fuel poverty, put buildings on the path to net zero by 2050, and contribute to meeting the Clean Power Plan. As highlighted by the Green Alliance, it is critical that the government does not row back on this commitment and instead devolves these funds to Combined Authority Boards (CBAs) and local authorities.

The current rate of home upgrades envisaged in the Warm Homes Plan falls short of the pace and scale needed to insulate homes and install heat pumps. Insulation remains one of the only guaranteed ways to bring down energy bills in the short term and can help deliver on the clean power plan by reducing energy demand. Research estimates that getting all homes capable of reaching EPC C up to this standard by 2030 could save the NHS £2 billion by 2030 by reducing respiratory disease and cutting new cases of childhood asthma by 650,000.

Key positive reforms include:

- Guaranteed funding allocations based on need rather than competition
- Dual £15,000 cost caps for energy performance and low-carbon heating
- Flexibility to average costs across projects
- Streamlined application processes
- Simplified eligibility criteria including postcode-based routes

However, analysis from in our End the wait. Insulate. report with the Centre for Sustainable Energy indicates this funding falls significantly short of what's needed. The report was based on the National Household Model modelling and data, it suggests:

2025-2028 requirements:

- Total investment needed: £5.27 billion
- Public funding required (1:2 ratio): £1.72 billion
- Current committed funding: £1.79 billion
- Now we need action to draw in the private investment

2029-2050 requirements:

- Total investment needed: £49 billion
- Public funding required: ~£16.3 billion
- Further funding commitments needed

While the headline figures suggest adequate near-term funding, significant challenges remain:

Delivery Barriers:

- Limited local authority capacity and expertise
- Supply chain and skills shortages
- Administrative burdens despite streamlining
- Need for clearer frameworks supporting local delivery
- Difficulty leveraging private investment without longer-term certainty

The experience of pioneering councils demonstrates what's possible with the right support. Wiltshire Council's £50 million Housing Energy Efficiency Programme shows how local authorities can deliver strategically when given resources and autonomy - targeting EPC B ratings across 5,000 homes over ten years.

To maximise impact of existing funding and enable successful scaling, our End the Wait. Insulate. report recommends:

1. Fully integrate the funds under a single framework to reduce administrative complexity
2. Provide longer-term funding certainty beyond 2028 to enable strategic planning
3. Support local authority capacity building through dedicated resourcing
4. Develop standardised frameworks for leveraging private investment
5. Invest in supply chain and skills development

The research shows this place-based approach could save £140 billion compared to top-down alternatives while delivering significant co-benefits:

- Bill savings up to £1,500 annually for vulnerable households
- Support for up to 40,000 jobs annually by 2028
- Improved health outcomes
- Accelerated progress toward climate goals and energy security
- Reduced fuel poverty

With rising energy costs and ambitious housing targets ahead, getting the delivery model right is crucial. While the funding commitments and structural reforms are welcome, further integration and support for local authority capacity will be essential to achieve the scale and pace of retrofit needed.

The commitment to a multi-year funding settlement and integrated settlements including retrofit funding for combined authorities is welcome, it is still moving forward on a deal by deal basis. Many of our members aren't in combined authorities and while the pace and depth of devolution is increasing, it could be many years before they are all in a devolution deal and they need a funding solution for retrofit that works now.