

Subject:	Net Zero Terrace Streets: From Demonstrator to Scale – Innovate UK Grant Funding	Status:	For Publication
Report to:	Cabinet	Date:	22 nd October 2025
Report of:	Net Zero Street Officer	Lead Member:	Environment and Corporate Services
Key Decision:	☒ Forward Plan ☒	General Exception ☐	Special Urgency ☐
Equality Impact Assessment:	Required:	No	Attached: No
Biodiversity Impact Assessment:	Required:	No	Attached: No
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1. RECOMMENDATIONS

That Cabinet:

- 1.1 Approves Rossendale Borough Council becoming the Lead Partner in the delivery of the *Net Zero Terrace Streets: From Demonstrator to Scale* project.
- 1.2 Approves the acceptance of £149,867 in grant funding from Innovate UK to deliver the project.
- 1.3 Delegates authority to the Director of Economic Development, the Director of Resources and the Monitoring Officer, in consultation with the Lead Member for Environment and Corporate Services, to make any necessary amendments to the Grant Offer Letter and accept it on behalf of the Council.
- 1.4 Delegates authority to the Director of Economic Development, the Director of Resources and the Monitoring Officer, in consultation with the Lead Member for Environment and Corporate Services, to enter into legal agreements with delivery partners to establish the terms of participation and related matters between Rossendale Borough Council and project partners.

2. EXECUTIVE SUMMARY

- 2.1. Cabinet is asked to approve and accept £149,867 in grant funding awarded to Rossendale Borough Council by Innovate UK under the “Net Zero Living: Scale and Embed” closed competition. This funding will allow the Council to build directly on the current Net Zero Terrace Streets (NZTS) demonstrator project, which developed the NZTS methodology and tested its feasibility through the installation of retrofit measures and ground source heat pumps in three Rossendale homes. This work has positioned the Borough nationally as a leader in addressing the decarbonisation of terraced housing.
- 2.2. The new project, *Net Zero Terrace Streets: From Demonstrator to Scale*, will apply the NZTS methodology at a larger scale by testing the viability of up to 200-home clusters in Rossendale, Rochdale and Bridgend. Detailed surveys will be carried out on a sample of homes to establish local archetypes and create costed retrofit pathways. This will allow governance, finance and planning tools to be validated at cluster level, strengthening the case for future public and private investment.
- 2.3. Rossendale Borough Council will act as lead partner and accountable body, with delivery supported by Rossendale Valley Energy, Challock Energy, Looped Energy Communities CIC, Buro Happold and Abundance Investment. Each partner will be responsible for its own allocation of funding, with Innovate UK paying partners directly.
- 2.4. The total project value is £187,953, of which £149,867 is funded by Innovate UK and £38,086 is partner match funding. Rossendale’s allocation is £51,000, fully funded by Innovate UK,

covering project management, oversight and subcontracted technical services. No additional Council contribution is required.

- 2.5. Risks include financial oversight, delivery slippage, and community participation. These will be managed through a live risk register and partnership governance arrangements, with each partner accountable for its own costs.
- 2.6. The project will deliver clear local benefits, including preparation for a potential 200-home cluster retrofit in Rossendale, integration with the Council's Climate Change Strategy, development of local housing archetypes, and strengthening Rossendale Valley Energy as a local partner.
- 2.7. It will also deliver national benefits by demonstrating the replicability of the NZTS methodology across multiple areas, reinforcing Rossendale's role as a pioneer in net zero innovation, and leaving a strong legacy for the Borough as Local Government Reorganisation takes place.

3. BACKGROUND

- 3.1. In September 2019, the Council declared a Climate Emergency and adopted its Climate Change Strategy and Action Plan. The strategy seeks not only to achieve net zero operational emissions from the Council's estate by 2030, but also to reduce emissions across the Borough, recognising the role of households, transport, industry, and other sectors. It focuses on four key themes:

- Efficient energy consumption
- Transport
- Waste and biodiversity
- Working together in partnership

- 3.2. Domestic emissions are a major part of the Borough's challenge. In 2020, domestic buildings accounted for around 33% of total borough-wide emissions. Rossendale has approximately 14,000 terraced homes, representing just over 40% of the Borough's housing stock. These homes are among the hardest to decarbonise due to their age, density, lack of outside space and the prevalence of fuel poverty.

- 3.3. In February 2024, Council approved Rossendale becoming Lead Partner in the Net Zero Terrace Streets (NZTS) demonstrator project, supported by £2.5m Innovate UK funding. This project has delivered:

- Installation of retrofit measures and a shared ground source heating system across three homes in Rossendale (two in Rawtenstall and one in Bacup). This tested technical feasibility and also ran the outcomes through the NZTS techno-economic model to calculate how much a householder would need to pay each month, and over how many years, under a no upfront cost approach.
- The development of the NZTS "product": a governance framework, enabling tools, and a step-by-step methodology which sets out what a local partner would need to do to deliver NZTS in their own communities.
- The appointment of two dedicated officers within the Council to lead coordination, finance and delivery of the project on behalf of Rossendale.

- 3.4. The demonstrator project has shown that the NZTS model is both replicable and scalable, offering a street-by-street approach to retrofit that is fair, affordable and attractive to communities. It has positioned Rossendale as a national leader in addressing the challenge of

terraced housing, which is critical given that these properties make up such a significant share of the UK's most difficult-to-decarbonise stock.

- 3.5. Building on the success of the demonstrator project, Innovate UK sought to allocate underspend from the Net Zero Living programme by launching a closed competition – “Net Zero Living: Scale and Embed”. This was open only to existing demonstrator projects and aimed to extend proven approaches, embed them in practice, and prepare them for wider replication.
- 3.6. The NZTS consortium was invited to apply, reflecting the recognition of the demonstrator project's success to date. Working in partnership with Rossendale Valley Energy (RVE), Challock Energy and Looped Energy Communities CIC, the Council has now secured £149,867.
- 3.7. The new project, *Net Zero Terrace Streets: From Demonstrator to Scale*, will run from November 2025 to March 2026. It will test the viability of 200-home clusters across Rossendale, Rochdale and Bridgend, embedding governance, finance and planning tools at this larger scale. By demonstrating cluster-scale viability, the project will make the NZTS product more attractive to both public and private investment and strengthen Rossendale's role as a national leader in net zero innovation.

4. DETAILS

- 4.1. The *Net Zero Terrace Streets: From Demonstrator to Scale* project will build directly on the current NZTS demonstrator project by testing the application of the methodology at a 200-home cluster scale across three areas: Rossendale, Rochdale and Bridgend. Around four homes in each cluster will be surveyed and modelled in detail to create archetypes and costed retrofit pathways, which can then be applied across the wider clusters.
- 4.2. Rossendale Borough Council will act as the lead partner and accountable body, providing project management, financial oversight and integration with Council policies and strategies.
- 4.3. Delivery partners are:
 - **Rossendale Valley Energy (RVE):** Acting as the Local Development Vehicle in Rossendale. RVE will lead local community engagement and governance testing, and will subcontract Abundance Investment to provide financial modelling support.
 - **Challock Energy:** Acting as the Local Development Vehicle for Bridgend, testing governance and delivery structures in a different local context.
 - **Looped Energy Communities CIC:** Providing expertise on governance frameworks, finance structures and digital integration.
 - **Buro Happold (subcontractor):** Responsible for surveys and archotyping, managing the Building Energy Model (BEM) to Techno-Economic Model (TEM) pipeline, assuring technical design quality, and work with Abundance Investment to integrate technical outputs into the financial model.
 - **Abundance Investment (subcontractor to RVE):** Supporting the financial modelling of clusters, working in collaboration with Buro Happold to align the techno-economic modelling with household finance models.

- 4.4. The partners will also develop the Fairer Warmth platform as a digital foundation for the programme, helping to manage data, assure quality, and support residents through the retrofit process.
- 4.5. By the end of the project, the NZTS methodology will have been tested and validated at cluster scale, providing Rossendale with the governance tools, technical evidence and finance pathways needed to prepare for large-scale retrofit across the Borough, while strengthening the case for public and private investment.

5. RISK

5.1. In accepting this grant, the Council will act as the lead organisation for the project. While the total award is £149,867 across all delivery partners, each partner is responsible for managing and reporting their own allocation. Rossendale Borough Council's role is to provide project management, oversight and assurance to Innovate UK as the accountable body.

5.2. The following risks are relevant to the Council in accepting the award:

- **Financial oversight:** Although Innovate UK pays partners directly, the Council must ensure all claims are eligible and compliant. The consortium agreement will make clear that each partner is accountable for its own allocation and must comply with Innovate UK Funding Conditions.
- **Cashflow and administration:** The Council will need to cash flow its own spend until reimbursed quarterly by Innovate UK. This has been carefully profiled and will be managed through existing Council financial processes.
- **Delivery risk:** Slippage in technical assessments, data collection or governance development could affect project milestones. Regular stand-up meetings and Steering Committee oversight will keep delivery on track, with specialist tasks subcontracted to experienced organisations such as Buro Happold and Abundance.
- **Community and reputational risk:** Low resident engagement in Rossendale could affect delivery and weaken outcomes. RVE will act as the Local Development Vehicle, using established local trust and relationships to support participation.
- **External risk:** Policy changes, energy market volatility or shifts in investor appetite could alter the testing environment. Models will be stress-tested against different scenarios and aligned with national programmes such as ECO and the Warm Homes Plan.

5.3. These risks will be managed through a live risk register, reviewed monthly by the Steering Committee chaired by RBC, with clear ownership and agreed actions.

6. FINANCE

6.1. The total value of the project is £187,953, of which £149,867 will be provided by Innovate UK. The remaining £38,086 will be contributed by partners as in-kind match funding.

6.2. Allocations are as follows:

- **Rossendale Borough Council (lead):** £51,000 (100% funded by Innovate UK). This covers project management, oversight and subcontracted technical services.
- **Challoch Energy (partner):** £27,686, of which £19,380 will be funded by Innovate UK and £8,306 will be provided by Challoch as match funding.

- **Looped Energy Communities CIC (partner):** £99,267, of which £69,487 will be funded by Innovate UK and £29,780 will be provided by Looped as match funding.
- **Rossendale Valley Energy Ltd (partner):** £10,000, fully funded by Innovate UK.

- 6.3. Innovate UK pays funding directly to each organisation for their share of costs. Each partner is responsible for managing its own allocation, with Rossendale Borough Council providing oversight as the accountable body.
- 6.4. There is no additional financial contribution required from Rossendale Borough Council beyond existing staff resource already approved for the current NZTS demonstrator project.
- 6.5. The project represents strong value for money for Rossendale, bringing in £51,000 of direct funding to the Council and leveraging nearly £150,000 of external investment and partner resource into the Borough at no additional cost to the authority.
- 6.6. Officers will submit appropriate claims for funding off the back of expenditure, this will lead to an immaterial impact on cash flow which will be managed in the normal course of business.
- 6.7. There are no wider revenue budget considerations not already noted in the report.

7. LEGAL

- 7.1. Cabinet approval is required to accept external grant funding between £100,000.01 and £250,000.
- 7.2. The Council will enter into a Grant Offer Letter with Innovate UK. This will set out the terms and conditions of funding and place responsibility on the Council as the accountable body.
- 7.3. A further legal agreement, drafted on Innovate UK's standard terms, will also be signed by all delivery partners. This agreement sets out roles, responsibilities and the management of funding, with each partner accountable for its own allocation.

8. POLICY AND EQUALITIES IMPLICATIONS

- 8.1. The project supports delivery of the Council's Climate Change Strategy and Action Plan, particularly the themes of efficient energy consumption and working together in partnership. It will also contribute to borough-wide emissions reduction by addressing the challenges of terraced housing and developing approaches that are fair and affordable for residents.
- 8.2. No equality or biodiversity implications have been identified. The project is expected to have a positive impact on households in or at risk of fuel poverty by testing finance models that require no upfront cost from residents.

9. REASON FOR DECISION

- 9.1. Accepting this funding will:
 - Secure nearly £150,000 of external investment at no cost to the Council.
 - Deliver direct benefits for Rossendale, including preparing for a potential up to 200-home cluster retrofit, developing local housing archetypes, and integrating outputs into the Council's Climate Change Strategy and Warm Homes planning.

- Strengthen the Council's relationship with Rossendale Valley Energy as a trusted local delivery partner and provide governance, finance and digital tools that can be applied across the Borough in future.
- Maintain Rossendale's national profile as a leader in addressing the challenge of terraced housing through the Net Zero Terrace Streets programme.
- Ensure that the Borough retains influence and leaves a strong legacy in the field of net zero and housing decarbonisation, as Local Government Reorganisation takes place.

Background Papers	
Document	Place of Inspection
Council Report: Net Zero Terrace Streets demonstrator project (February 2024)	28th February 2024: Council Rossendale Borough Council