



Environment & Energy Board

Date: Thursday 21 December 2023

Time: 11.00 am **Public meeting** Yes

Venue: Room 116, West Midlands Combined Authority, 16 Summer Lane, Birmingham, B19 3SD

Membership

Councillor John Cotton (Chair)
Councillor Rob Clinton
Councillor Craig Collingswood
Councillor Gary Flint
Councillor Peter Hughes
Councillor Andy Mackiewicz
Councillor Majid Mahmood
Councillor Jim O'Boyle
Matthew Rhodes
Suzanne Ward

Birmingham City Council
Dudley Metropolitan Borough Council
City of Wolverhampton Council
Walsall Metropolitan Borough Council
Sandwell Metropolitan Borough Council
Solihull Metropolitan Borough Council
Birmingham City Council
Coventry City Council
Energy Capital
Environment Agency

Quorum for this meeting shall be the Portfolio Lead for the Environment, Energy & HS2 *and* at least three other members.

If you have any queries about this meeting, please contact:

Contact Craig Evans, Governance Services Officer
Telephone 07584 009024
Email craig.evans@wmca.org.uk

AGENDA

No.	Item	Presenting	Pages
Items of Public Business			
1.	Apologies for Absence	Chair	None
2.	Declarations of Interest Members are reminded of the need to declare any disclosable pecuniary interests they have in an item being discussed during the course of the meeting. In addition, the receipt of any gift or hospitality should be declared where the value of it was thought to have exceeded £25 (gifts) or £40 (hospitality)	Chair	None
3.	Chair's Remarks (if any)	Chair	None
4.	Minutes - 26 September 2023	Chair	1 - 4
5.	Local Investment in Natural Capital Programme	Tristan Semple	5 - 14
6.	Local Net Zero Accelerator	Ed Cox / Cheryl Hiles / Ayushi Vyas	15 - 18
7.	Local Nature Recovery Strategy	Mike Webb	Verbal Report
8.	Community Environment Fund	Tony Thapar	Verbal Report
Date of Next Meeting			
9.	Thursday 7 March 2024	Chair	None



West Midlands
Combined Authority

Environment & Energy Board

Tuesday 26 September 2023 at 1.00 pm

Minutes

Present

Councillor Rob Clinton

Dudley Metropolitan Borough Council

Present via MS Teams

Councillor Majid Mahmood

Birmingham City Council

Councillor Craig Collinswood

Walsall Metropolitan Borough Council

Item No.

8. Appointment of Chair for Meeting
Councillor Majid Mahmood was appointed the Chair for the meeting in the absence of Councillor John Cotton.

9. Minutes - 12 July 2023
The minutes were agreed as a correct record.

10. Air Quality Framework and Action Plan
Jackie Homan presented on the Air Quality Framework and Action Plan. She shared with the committee the framework history and aims before specifying the details of the of the framework implementation plan, covering consultation and the partners of the plan and it's nine work programmes.

She reported that the plan had also been presented at the Transport Delivery Overview & Scrutiny Member Engagement Group who have recommended that a stretch target be put in place. She also shared details of how the plan aligns with WMCA strategically and the governance of the implementation plan through both Transport and WMCA Board. Finally, she shared funding wins and summarised activity to date.

In response to a question from Councillor Rob Clinton, Alex Jones confirmed that the opportunity for handheld measuring devices to be procured to assist in enforcing air quality regulations, as part of the DEFRA grant, was present. As a result of a second question from Councillor Robert Clinton, Jackie Homan confirmed that £9million had been received from DEFRA and £0.5million had been received from DHLUC and stated that she would clarify those costs within the report.

Councillor Majid Mahmood voiced his support and praise of the implementation plan. Councillor Peter Hughes questioned whether focusing on improving air quality in certain areas in the region would result in decreased air quality in other areas of the region. Alex Jones responded to

say that funding had been applied for and allocated based on air quality figures and the region is looked at as a whole.

Councillor Craig Collinswood voiced his support of the implementation plan but highlighted the importance of public engagement, this was supported by comments sent in by Councillor Andrew Mackiewicz, read by Councillor Majid Mahmood.

Resolved:

- a) The draft Air Quality Framework Implementation Plan was endorsed for approval at the November 2023 WMCA Board.
- b) The draft Air Quality Framework Implementation Plan was endorsed for presentation to the WMCA Board in November 2023, subject to updates as a result of comments made by the Environment and Energy Board.

11. Energy Capital Programme Update

Cheryl Hiles presented a PowerPoint on updates from Energy Capital. She shared highlights of the programme including the Energy Capital Partnership Conference and kick start of the regional energy strategy. The local area energy plan and its main priorities which included gathering funding, collecting baseline and up to date data and retrofitting delivery to upgrade homes to improve efficiency. She also stated that 513 projects would receive further funding from the Homes Upgrade Grant.

The committee received an update on net zero neighbourhoods and heard how Dudley were the first in the nation. The committee were also informed that Dudley had made Equans as their delivery partner and community engagement had commenced. Cheryl Hiles also shared that monitoring and evaluation framework was being developed and shared the information on lobbying activities that been planned.

Devolved Retrofit Funding

George Simms provided context for a presentation on developed retrofit funding. He shared the design aims of the retrofit project which had been agreed with officers.

In response to a question from Councillor Peter Hughes, George Simms provided an update on current communications with restricted social landlords but stated that Local Authorities were best placed to represent their interests where the projects were in their infancy. Cheryl Hiles added that this is further supported by memorandums of understanding (MOUs).

Strategic partnerships for energy infrastructure

Kate Ashworth updated the committee on strategic partnerships for energy infrastructure. She provided context for the programme before sharing how MOUs had been used to gain expert support, commitment, and collaboration to achieve growth within the region. She stated that there was an MOU with SSE who were open to various technological solutions, provide access to funding and shared the WMCA/Energy Capital ethos for next zero transitions and a realistic vision. She shared the planned next steps which included

scoping solutions, consultation, engagement with partners. She also shared plans of contribution to the Local Area Energy Planning group, the PRIDE programme, and the net zero delivery team.

In response to a question from Matthew Rhodes, Kate Ashworth confirmed that the funds from SSE and National Grid ED would be complimentary and are not of the same source.

In response to comments from Councillor Andrew Mackiewicz, read by Councillor Majid Mahmood, Kate Ashworth confirmed that collaboration was on going in order to remove barriers to access of electrical infrastructure and welcomed all communications on specific areas.

Regional Energy Systems Planner function and Local Area Energy Planning
Cheryl Hiles shared policy changes and updates. She also reported on the lobbying that had been undertaken to find the best outcome for a specific area. She also shared the open business planning process, information on how decarbonisation could be enabled and how places have been coordinated with the national energy system from a centralised focus. Cheryl Hiles stated a new regional system planner would be in place and a policy announcement was expected in November 2023. She shared the net zero infrastructure plan and it's make up through collaborations.

Councillor Majid Mahmood asked about the lack of representation of water companies on the panel to which Cheryl Hiles responded that the focus was not on water companies however future engagement could be considered.

Councillor Craig Collinswood asked how the rollout would be accelerated to meet net zero targets and asked about what would be done in relation to renewable energy. In response, Cheryl Hiles stated that it would be allocated on the basis of most applicable as low-cost implementation was not possible. Kate Ashworth added that further opportunities were currently being mapped.

Resolved:

- a) The progress across the WMCA energy programme was noted.
- b) Endorse the principles of retrofit devolution that will be used to guide negotiations with Government were endorsed.
- c) The plan to expand WMCA Strategic Partnerships to include partnerships with energy infrastructure providers was endorsed.
- d) Topics for future updates at the Environment and Energy Board meetings were identified.

12. Date of Next Meeting
Thursday 21 December 2023 at 11.00am

The meeting ended at 2.30 pm.

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Environment & Energy Board

Date	21 December 2023
Report title	Local Investment in Natural Capital (LINC)
Portfolio Lead	Environment, Energy & HS2 – Councillor John Cotton
Accountable Chief Executive	Laura Shoaf, West Midlands Combined Authority email: laura.shoaf@wmca.org.uk
Accountable Employee	Tristan Semple, LINC Programme Manager email: tristan.semple@wmca.org.uk

Recommendations(s) for action or decision:

The Environment and Energy Board is recommended to:

1. Receive the update on the Local Investment in Natural Capital programme.
2. Provide input to the engagement and outreach process.

1. Purpose

- 1.1 The purpose of this paper is to inform and update the board on the £1 million Department for Environment, Food & Rural Affairs (Defra) funded Local Investment in Natural Capital (LINC) programme. This will be the first of a series of updates that will come at critical points in the project delivery.

2. Background

- 2.1 The UK Government has set a goal to mobilise at least £500 million in private finance to support nature's recovery every year by 2027 in England, rising to more than £1 billion by 2030 (Green Finance Strategy, HM Government, 2023).
- 2.2 The Green Finance Strategy identifies Local Investment in Natural Capital (LINC) programmes as one of the measures to support the transition to a climate resilient, nature-positive, net-zero economy.
- 2.3 The West Midlands Combined Authority (WMCA) has been selected as one of four regions to deliver Defra's LINC programmes. The other LINC programmes are in Cornwall, North Yorkshire, and Northumbria/Cumbria.

- 2.4 The four LINC pilots are innovation programmes which will work in tandem to explore and test new regional-scale approaches to financing and improving our natural capital.
- 2.5 The LINC programme runs until 31st March 2025, and is supported by a £1million grant from Defra. This was secured as part of the Devolution Deal.
- 2.6 Successful delivery will necessitate the establishment of strategic partnerships, governance structures, system architecture, finance/legal models, and a regional pipeline of projects which can aggregate at scale.
- 2.7 The ambitions of the LINC programme, to enable the public sector (and their third sector partners) to become more market-facing with their projects and programmes, align with the collective ambitions set out in the [West Midlands Natural Environment Plan](#)

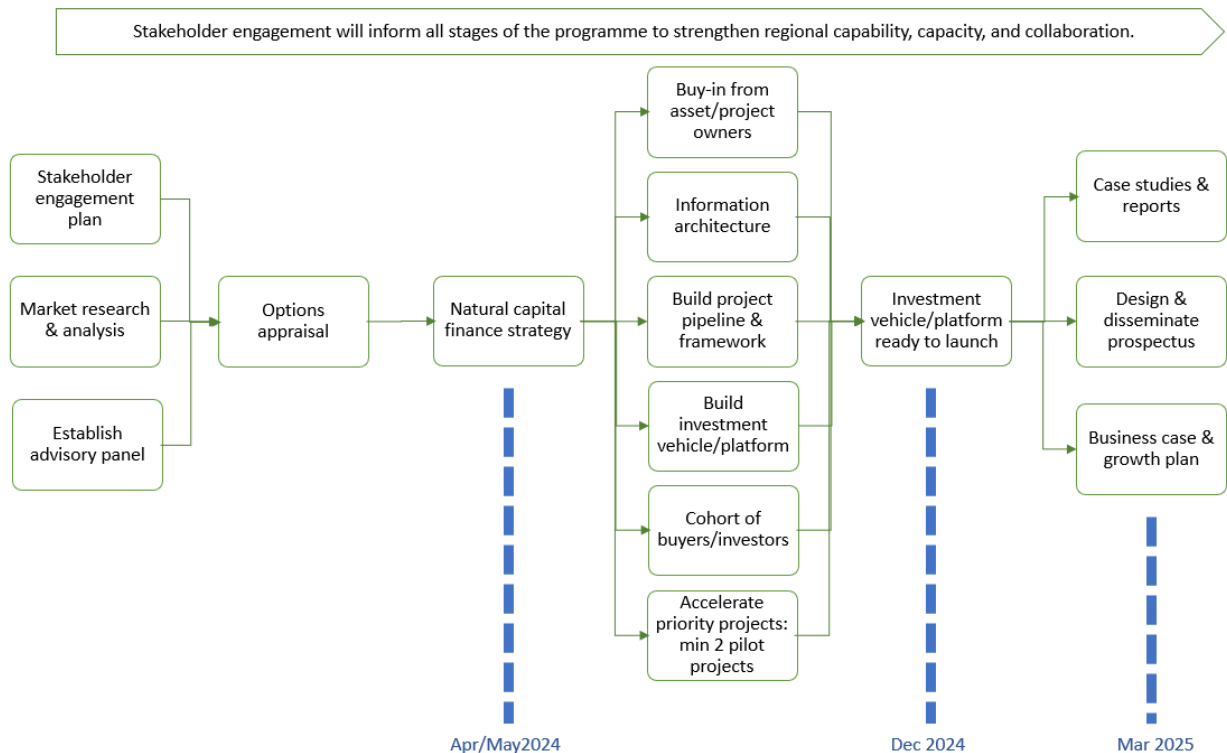
3. Why has the LINC programme been established?

- 3.1 There is currently a significant funding gap between level of ambition and financing available to deliver the regional natural environment ambitions and projects. Established and emerging nature markets are ineffective at driving finance to green infrastructure to improve our towns and cities.
- 3.2 The ambition of the WMCA Natural Environment Plan requires a regional investment vehicle or fund to unlock the necessary resources for delivery. We also know from engagement with regional stakeholders, including constituent local authority partners, that attracting private investment will support sub-regional initiatives.
- 3.3 Despite this need, there remain a number of challenges:
 - There is a lack of local governance arrangements and delivery frameworks for nature markets.
 - A “missing middle” exists between local markets and national finance and supply chains.
 - Individual natural capital projects lack the scale to attract private sector investment.
 - There is a lack of confidence in emergent nature markets.
 - Models, frameworks, learning, and evidence of ‘what works’ in securing green finance/investment into natural capital projects is not well understood in practice.

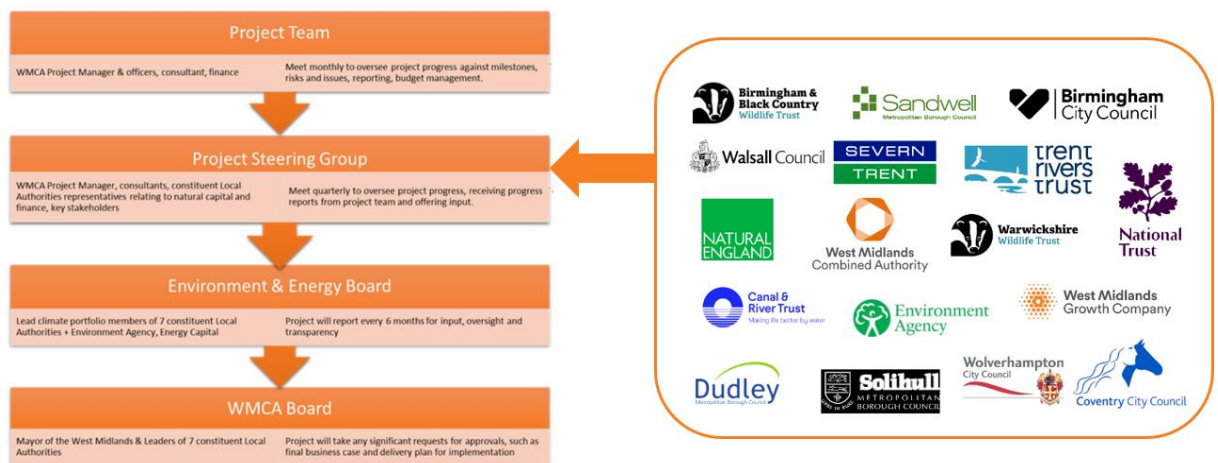
4. LINC Programme Overview

Objectives

- 4.1 **Explore and demonstrate the potential for natural capital investment.** This will contribute significantly to: sustainable growth as part of the 'levelling up' agenda, in both urban and rural settings; addressing the priorities for local natural capital improvement identified in Local Nature Recovery Strategies; supporting the role of local authorities as place-makers.
- 4.2 **Build the capacity, effective governance arrangements, and capability of local leaders and partner organisations.** This will enable sellers of monetisable ecosystem services to develop a pipeline of investable projects; and local areas to aggregate and direct finance flows to deliver environmental goals.
- 4.3 **Develop local ecosystem markets and investment vehicles that support the green transition,** facilitating cooperation and shared learning between organisations and sectors, directing investment to cost-effective solutions, and generating nature-related revenue flows.
- 4.4 WMCA, working with its constituent local authorities and other regional partners, will **be in a state of readiness to access and bring in local investment** for natural capital at a strategic level by 31 January 2025.
- 4.5 The bid developed, as part of that process, identified the following work packages that we will be taking forward:



5. Governance



Progress

- 5.1 Since appointing a WMCA LINC Programme Manager in August 2023, we have worked closely with the other LINC pilot areas, the Environment Agency, and Defra to refine the scope of LINC and the programme management/governance.
- 5.2 Through stakeholder engagement, workshops, webinars, and conferences, we are building a network of strategic partners and exploring the emerging challenges and opportunities presented by natural capital, green finance, and nature markets.
- 5.3 Following this period of engagement, research, and input from consultants, we have refined the programme deliverables and milestones. The contract specifications for this innovation programme are currently out to tender.
- 5.4 The £1 million funding for the LINC programme runs until 31 March 2025. To ensure this development phase is a springboard for the future, WMCA will be commissioning the production of an Investment in Natural Capital Business Case and Growth Plan for 2025 to 2030. This will be procured over the next few months.

6. Next steps

- 6.1 Consultants to support LINC will be appointed in January/February 2024. The WMCA and consultants will carry out stakeholder engagement and market research to understand the supply and demand-side opportunities for nature markets in the region.
- 6.2 An options appraisal and Investment in Natural Capital Strategy will be developed in April/May 2024. This will be brought to the Environment & Energy Board for review and approval.

7. Financial Implications

7.1 There are no immediate financial implications within this paper. The programme is currently on target towards its delivery milestones.

8. Legal Implications

8.1 There are no legal implications directly resulting from this paper. However, in establishing a regional finance vehicle there will be associated legal implications. These will be presented to the board for consideration upon completion of the necessary documentation on or before 31 December 2024.

9. Equalities Implications

9.1 Across the WMCA geography there is a correlation between the least advantaged areas (highest IMD score) and climate related risk factors, poor access to green space, and poor air quality. A regional natural capital strategy and supporting finance vehicle could help address some of these inequalities by channelling resources into nature-based solutions where they will have the highest social impact.

10. Inclusive Growth Implications

10.1 This programme links to the WMCA's inclusive growth priorities and key activities. The LINC programme will directly support delivery of the following inclusive growth objective:

- We will drive growth by developing regional strategies and plans focussed on priority clusters, boosting innovation, and securing investment.

11. Geographical Area of Report's Implications

11.1 The LINC programme covers all constituent local authorities. There is also potential to extend beyond these boundaries where opportunities for natural capital investment will benefit communities within the WMCA constituent geography.

12. Other Implications

12.1 None.

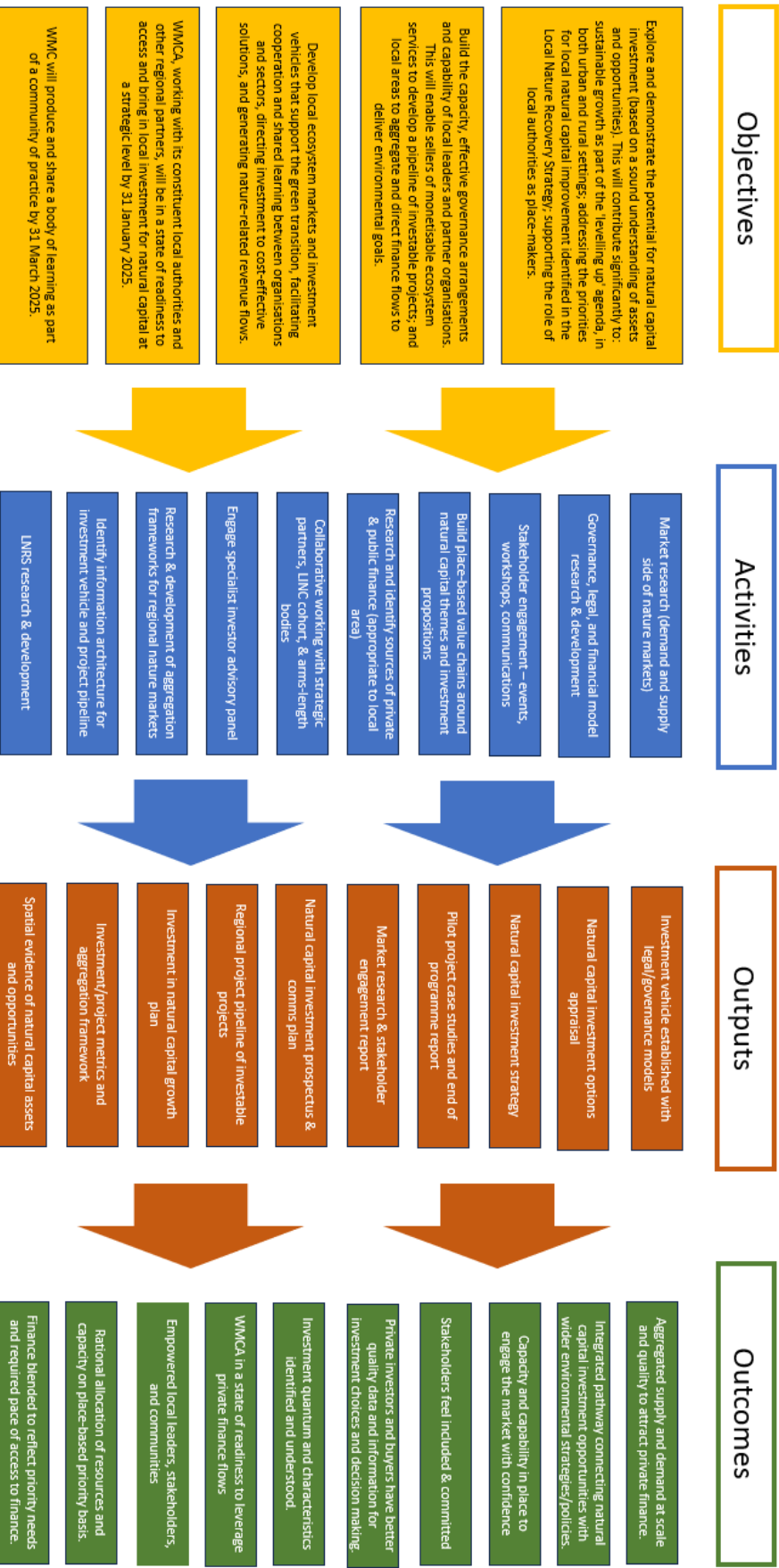
13. Schedule of Background Papers

13.1 Appendix 1: LINC one-page flyer.

13.2 Tables below: Gantt chart and logic chain.

Workpackage & Deliverables	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25
Project Management & Governance																
Contract ITT																
Assessment & evaluation of bids																
Contract Approval Report and a week to issue Standstill Letters																
Contract award & mobilisation																
Project Team Meetings																
Project Steering Group meetings																
Environment & Energy Board meetings																
WMCA Board meetings																
Reporting to Defra / EA																
Investor Panel meetings																
Establish exit strategy																
Evidence baseline & metrics - LNRS spatial prioritisation																

Workpackage & Deliverables	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25
Consultancy Services																
Stakeholder engagement plan																
Establish investor panel																
Market research & stakeholder engagement																
Market research report																
Options appraisal																
Natural capital finance strategy																
Identify information architecture																
Buy-in from asset/project owners																
Cohort of buyers/investors																
Draft project pipeline & framework																
Final project pipeline & framework																
Draft finance vehicle/platform																
Final finance vehicle/platform																
Accelerate projects and launch pilot projects																
Draft prospectus																
Final prospectus																
Case studies																
Exit strategy & growth plan																
Final LINC report																



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Local Investment in Natural Capital

The West Midlands Combined Authority (WMCA) has been chosen as one of just four areas in the UK to deliver Local Investment in Natural Capital (LINC) programmes. These programmes are part of the Government's new Green Finance Strategy (2023) to support a green industrial revolution and transition to a climate resilient, nature-positive, net-zero economy.

The LINC Programme will build the capacity and capability of local leaders and partners to collectively deliver our ambitions to:

- Create a nature-positive future, restoring habitats, biodiversity, and connectivity for people and nature.
- Deliver nature-based solutions to climate risks: improve water quality, reduce flood risk, sequester carbon, improve air quality, and provide urban cooling.
- Address socioeconomic-related inequalities in health by improving the quality, quantity, and access to greenspace.
- Maximise the socio-economic benefits of ecosystem services and natural capital assets.
- Strengthen the region's green economy to provide environmental improvements & sustainable growth as part of the Levelling Up agenda; Climate Adaptation Plans; Local Nature Recovery Strategy & Biodiversity Net Gain.



Engage stakeholders & map opportunities for nature recovery, climate adaptation, and green infrastructure projects.

Engage green finance and investment stakeholders to identify natural capital market opportunities

Build Project Pipeline to aggregate outcomes and de-risk investment.

Build the Investment Vehicle to mobilise private finance at scale into the green economy.

Launch the LINC Prospectus and Investment Vehicle

LINC Programme Lifecycle

March 2025

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Environment & Energy Board

Date	21 December 2023
Report title	Local Net Zero Accelerator
Portfolio Lead	Environment, Energy & HS2 – Councillor John Cotton
Accountable Chief Executive	Laura Shoaf, West Midlands Combined Authority email: laura.shoaf@wmca.org.uk
Accountable Employee	Cheryl Hiles, Director, Energy Capital email: cheryl.hiles@wmca.org.uk

Recommendation(s) for action or decision:

The Environment and Energy Board is recommended to:

1. Endorse the decision to accept the Net Zero Accelerator Pilot funding offered by the Department for Energy Security & Net Zero (DESNZ).

1. Purpose

- 1.1 To inform the Board of the West Midlands Combined Authority's (WMCA's) decision to withdraw our Net Zero Neighbourhood Innovation project from the Innovate UK funding programme, in order to be awarded a larger sum of government funding for a Net Zero Accelerator pilot alongside Manchester through our Devolution Deal.

2. Background

- 2.1 To attract investment into placed-based net-zero solutions in the West Midlands, Energy Capital submitted a funding application for £4.86m of Innovate UK funding to develop a blended regional fund to address the funding gap for retrofit and wider net zero projects. This application was supported by our Net Zero Neighbourhood Demonstrator programme which we planned to use to prove our blended finance model.
- 2.2 Our funding application was successful, however, at the same time we have been lobbying government to seed fund this work on the back of our Deeper Devolution Deal commitments and recognise our leading role as a pathfinder based on the expertise we have gained over two very successful innovation projects in this field. Our lobbying was also successful and we were chosen alongside Manchester to receive our share of £12m to attract private sector investment to support the region's net zero transition.

- 2.3 Because both funds were provided by DESNZ, we were told that government would not allow us to receive both sets of funding. Therefore, we were asked to withdraw from the Innovate UK competition to allow other areas to benefit from the funds they had available. This withdrawal took place on the 29 November and on the 30 November the following [press notice](#) was released by DESNZ.
- 2.4 The WMCA will receive £6.2m for what is being termed a Net Zero Accelerator Pilot. This is expected to be revenue funding, most likely delivered via section 31 for: staff; external advice; programme development including at risk funding; and delivery model design and validation.
- 2.5 The objective set by government is to design a net zero accelerator model which covers energy, transport and building decarbonisation as a minimum and design investment model(s) to attract private investment. This model should be scalable, replicable and lead to contracted or secured investment partners capable of delivering at scale by c. March 2026. Delivery of net zero solutions must commence shortly after, if not before. Greater Manchester is expected to receive a similar amount to us and a smaller amount will be given to York and North Yorkshire Combined Authority, with the aim of replicating the Bristol City LEAP model.
- 2.6 The outcomes and approach sought by government are entirely aligned with our innovation work to date and we believe government has chosen to fund our regional pilot in favour of a national programme, due to this alignment and our approach that focuses on how to get the best outcome for the place and its citizens.
- 2.7 Green Finance support will also be provided to us separately by government as part of this pilot process with the aim to get our pilot up and running and also design a national process to help other areas follow in our wake.

3. Governance

- 3.1 The Governance for this project will be through a regional project board with DESNZ representation, feeding into a national programme board with the other projects. Funding will come to us as revenue and decisions around how this is spent will be agreed through the board process.
- 3.2 The recently reformed Energy Capital Board, which Councillor Cotton is a member of, will provide oversight to guide this programme through the normal Energy Capital governance process and progress updates will be brought back to the Environment & Energy Board on a regular basis.

4. Funding outcomes

- 4.1 The funding offered is to develop an innovative Regional Fund that brings together three sources of capital to deliver place-based initiatives:
- i. Grant (aggregated or devolved government grants)
 - ii. Repayment (commercial investment) and,

iii. 'Outcome-based' capital (from parties looking for specific non-financial outcomes).

4.2 Demonstration of what is needed to enable this blended funding model to work will be undertaken through some of the Net Zero Neighbourhood Demonstrator projects and the greater sum of funding may also allow us to explore the role of residential heat networks or other large scale energy infrastructure in the delivery of place-based schemes.

Figure 1. Blended Finance Based Regional Fund

Funding stream	Outcome	NZN Demonstration to enable scale up
Government grant	Fuel poverty reduction through the retrofit of homes.	Demonstrate that a neighbourhood approach increases take up and customer satisfaction.
Private grant	Specific outcomes including carbon reductions, health outcomes and network reinforcement avoidance.	Demonstrate outcomes can be baselined, measured, and achieved in appropriate neighbourhoods where these can be realised.
Return seeking finance	Commercially viable infrastructure investments.	Demonstrate commercially led infrastructure schemes can be delivered in a way that delivers desired public sector outcomes over time.

4.3 Our aim will be to take forward the majority of the commitments we made to partners involved in the now withdrawn Innovate UK application (Project CAMPOS), including the local authority partners who submitted Net Zero Neighbourhood business plans which would help to demonstrate the approach we are advocating. With the changes to the funding stream however, some additional processes, including the procurement of partners may need to be undertaken to be compliant with the new funding requirements.

5. Financial Implications

5.1 WMCA have secured c.£6.2million of revenue funding for this Net Zero Accelerator Pilot from government. This is the largest injection of external revenue funding that the WMCA has received for place-based net zero initiatives.

5.2 The terms and conditions associated with this grant funding are not yet known, nor how the grant will be disbursed i.e. whether the grant is received upfront (section 31) or whether it needs to be claimed in arrears (section 98).

5.3 A detailed business case will need to be developed and approved through the Single Assurance Framework before the programme can officially commence. The business case is expected to go to Investment Panel on 26 February 2024 for a board decision on 18 March 2024.

5.4 WMCA is awaiting guidance from DENZ as to whether a separate business case will need to be developed for their internal governance.

6. Legal Implications

6.1 This programme will add a significant extra burden to the legal team. We expect funding to be administered through a grant agreement and defrayed according to expenditure incurred and deliverables achieved. The Energy Capital team will work with WMCA Legal team to draft the relevant grant agreements.

7. Equalities Implications

7.1 Effective carbon reduction actions have the potential to make a significant positive impact on the health and wellbeing of the residents of the Net Zero neighbourhoods and contribute to reducing inequalities across the region. Furthermore, we will look to include specific consideration of climate adaptation into the design of the mechanism(s) which will further look to improve the resilience of the communities. The ultimate goal of the development of a West Midlands Fund for investment into net zero transition will allow us to help bridge the gap between the affluent who can afford to transition and the underserved population that are willing and would benefit from net zero investment but for whom the capital expenditure is currently too large a barrier.

8. Inclusive Growth Implications

8.1 We have worked closely with the Inclusive Growth team to develop a range of resources for local authority's developing Net Zero Neighbourhoods, including a citizen engagement charter, and detailed monitoring and evaluation framework, with metrics and indicators mapped to the Inclusive Growth fundamentals.

9. Geographical Area of Report's Implications

9.1 The area covered by the Regional Fund will be the WMCA geography. Investment will be made into local areas within this geography.

10. Other Implications

10.1 None