



West Midlands
Combined Authority

The Risk & Investment Appraisal has been completed to support better and more informed spending and investment decisions at the WMCA

Risk and Investment Appraisal

The purpose of this report is to:

- Provide a high-level summary of the risks (project and strategic), commercial viability and Value for Money (VfM) of the investment and the opportunities it brings forward,
- Determine if and how the proposal is aligned to WMCA Aims and Objectives and other regional Policy,
- and act as an informative tool for decision-makers that accompanies the business case through to an approval decision.

**Local Net Zero Accelerator Programme and
Fund**

PBC

26th February 2024

Tahyba Nud

Details of Decision Outcome

Forum / Decision Maker: Investment Board/Investment Panel

Date of Decision: TBC

Outcome of Decision: TBC

Conditions / AOB: TBC

1.0 EXECUTIVE SUMMARY

This Programme Business Case (PBC) has been submitted by Alex Gordon/Ayushi Vyas from Strategy, Integration & Net Zero.

This PBC is for the Local Net Zero Accelerator Programme and Fund. This work was formally known as Project CAMPOS (Creating a Market for Place-based Outcomes), a £4.86m funding application made to Innovate UK, which has now been extended and awarded funding directly from the Department for Energy Security and Net Zero (DESNZ) to establish a West Midlands Net Zero Fund and secure an investment partner, as part of regional Trailblazer status. Total funding available for this project from DESNZ is approximately £6.2m of revenue to be spent by March 2026. The core aim of this programme is to develop a scalable, replicable and financeable model for accelerating progress to a Net Zero energy transition. To note, the funding conditions are still being negotiated with the funder.

This project will seek to establish how funding, including devolved funding from Government, can be blended with private and outcomes-seeking finance to achieve Government's objectives, removing market barriers to place-based Net Zero investment and attracting private investment to ensure that the impact of devolved public funding is maximised.

This project will address the following objectives:

1. **Data:** Developing a robust data infrastructure solution with metrics and key indicators to measure outcomes, connecting neighbourhood data to project teams and the outcomes market.
2. **Governance:** Establishing a robust governance structure to manage a regional blended finance fund for Net Zero projects, balancing investor, place and community interests to ensure a just transition.
3. **Participation:** Building community trust in Net Zero projects and demonstrating resulting quality of life improvements to increase interest and demand.

To accelerate delivery, maximise learning and realise the benefits, the project will work with five Net Zero Neighbourhoods (NZN) demonstration projects across the region, maximising the value and impact of the existing regional NZN programme. The following Local Authorities will be part of this programme Birmingham, Wolverhampton, Solihull, Sandwell and Walsall.

Finance Summary:

Funder	Amount	% of Total	Status	Details of Funding
DESNZ	£6,200,000	100%	Not Secured	WMCA still negotiating

Investment Board are required to make a decision on this business case to spend £6,200,000 from DESNZ to accelerate the regions Net-Zero energy transition.

The PBC has been reviewed by, or had input from, the following stakeholders:

- Tahyba Nud, Programme Appraisal
 - Marzena Kubiak, Programme Assurance
 - Aqeel Rizvi, Finance Business Partner
 - Nigel Channer, Legal Representative
 - Emily Sutton, Procurement
-

2.0 APPRAISAL RECOMMENDATION

Based on an independent assessment of the risks and opportunities presented in this report: The Local Net Zero Accelerator Programme and Fund, the appraisal recommendation is to approve based on the following proposed conditions:

1. Sustainability integration – committing to integrating sustainable and low carbon methods in all stages of the project.
2. Deepen engagement with key stakeholders including local communities and industry partners etc to ensure the projects outcomes are inclusive and supported.
3. Produce a Monitoring and Evaluation (M&E) report showing impact and progress towards project objectives before the end of the project, with a final closure report following conclusion of the project.
4. Employ a robust project Monitoring and Evaluation (M&E) plan (using agreed KPI's) to track outputs and outcomes through to fruition.
5. Project team to determine risk ownership (including supplier related risks) within their Risk Register to demonstrate appropriate risk management. Once updated this document should be shared with the WMCA Strategic Risk Manager.

There is a key risk for decision makers to note that the agreement with DSENZ has not been officially signed, it has been noted that Internal approvals within DESNZ have been confirmed and have indicated their aim to agree the contract by the end of March, however this is yet to be received in writing and is dependent on the Programme Board (DESNZ chaired) being established. However, the project has demonstrated a proactive approach to addressing risks and capitalising on opportunities to advance Net Zero objectives.

2.1 RISKS

The risks outlined within Table 1 below have been noted by the lead appraiser and categorised in accordance with the WMCA's Strategic Risk Framework and using the following RAG status:

High Risk	Project must resolve / update the business case ahead of delivery. Any unresolved, red-rated risks will be highlighted to the decision maker when the business case is submitted for approval. If ignored, successful delivery will not be possible.
Medium Risk	Project should resolve / update business case ahead of next submission or delivery. If ignored, they may impact chances of successful delivery.
Low Risk	Project could resolve /update the business case ahead of next submission or delivery. If responded to, they will improve chances of successful delivery.

Table 1			
Case / Misc	RAG	Risk	Project Response

Risk & Investment Appraisal

Single Assurance Framework

<p>Management Case</p>		<p>Delivery Risk: Economic or policy changes, supply chain disruptions could impact program deliverability and outcome – are appropriate contingency plans in place and/or is this being considered?</p>	<p>Soft market testing has been conducted during the programme scoping phase, including securing letters of support from key external stakeholders.</p> <p>Multiple delivery areas from DESNZ (energy systems, transport and building decarbonisation) will diversify the suppliers needed to deliver capital works in the NZN areas, reducing reliance on any one particular contractor. Similarly the NZN plans produced by our LA partners each have different focuses, further diversifying the contractors required.</p> <p>The biggest policy change that could alter the impact of this programme is a roll-back on retrofit funding, expected through the Single Funding Settlement, as this programme is key to preparing the WMCA and wider region to best utilise this funding. Since scoping this programme, retrofit funding through the single settlement has been confirmed for the next spending review period, with officers negotiating with DESNZ and treasury on exact terms.</p>
------------------------	--	--	---

Risk & Investment Appraisal

Single Assurance Framework

			Updated PBC Section 1.4: Key risks. Risk ID 11 (p.25)
Strategic Case		<p>Delivery Risk: Ambitious work scope – may lead to deliverables not being met within the project timelines – affecting program quality and outcomes. Linking in with procurement (large number of subcontractors working on project), is there any further information you can provide to show what strategies are in place to tackle any constraints and further delays</p>	<p>Programme timeline has been extended by 3 months, relative to the project scoped for Innovate UK. While we have increased the scope of the programme, new deliverables have very few dependencies across the other workstreams, so the overall risk of overrunning is reduced.</p> <p>The programme Gantt chart accounts for potential delays, showing the latest possible finish time for an activity before impacting dependencies. At minimum this additional ‘slippage’ time is a month.</p> <p>Soft market testing has been conducted during the programme scoping phase, including securing letters of support from key external stakeholders.</p> <p>Procurement specs are being finalised in advance of programme sign-off to minimise delays to project kick-off.</p> <p>Prior indication notices are being drafted, and the project team intend to hold ‘meet the buyer’ webinars prior to procurement going live, to further prepare the</p>

Risk & Investment Appraisal

Single Assurance Framework

			<p>market and ensure quality, timely responses.</p> <p>Updated PBC Section 1.4: Key risks. Risk ID 4 (p.19)</p>
<p>Finance Case</p>		<p>Delivery Risk: It is noted that the official agreement with DESNZ has not been signed confirming the terms - is there a date in which the agreement would be aimed to be finalised?</p>	<p>The project team have shared the PBC with DESNZ. Internal approvals within DESNZ have been confirmed, with this document in sight. Therefore, it is highly unlikely the scope will change between now and project initiation.</p> <p>DESNZ have indicated a minimum of £6.2m in funding for this programme, therefore any changes to the funding will only increase the capital allocated to each local authority for capital works.</p> <p>While we do not have an expected date for signing agreements, this money has been committed, and the project team have high confidence that the scope presented in this PBC (to both WMCA internal governance teams and DESNZ) will remain unchanged. Energy Capital officers are beginning a series of regular meetings with DESNZ to finalise terms, starting w/c 12/02/2024</p> <p>DESNZ have indicated their aim to agree the contract by the end of March, however we are yet to receive this in</p>

		<p>writing, and is dependent on the Programme Board (DESNZ chaired) being established.</p> <p>Updated PBC Section 1.4: Key risks. Risk ID 4 (p.24)</p>
--	--	---

2.2 RESOLVED / MITIGATED RISKS

The below risks were noted during the appraisal but have since been mitigated through updates to the business case or clarification in the project responses.

<i>Table 2</i>		
Case	Risk	Project Response
Strategic Case	Delivery Risk: Success of the programme is heavily dependent on successful neighbourhood engagement – risk is if the community “buy-in” is not as expected- So how would this consider within the delivery mechanism?	<p>Community engagement is key to the Net Zero Neighbourhood model, as such NZN plans have been drawn with a specific focus on existing community infrastructure, and methods to mobilise/ ensure engagement.</p> <p>Energy Capital officers chair the NZN working group, attended by LA officers across the region. Community engagement is a frequent topic of discussion at the working group, with</p>

Risk & Investment Appraisal

Single Assurance Framework

		<p>lessons learnt and best practice shared between other LA's with existing Net Zero Neighbourhoods.</p> <p>Each LA within the LNZA programme will be required to produce a community engagement plan, either individually or in partnership with an external body with prior experience. This requirement will be formalised in the grant agreement to ensure compliance.</p> <p>In the delivery plan, 3 months have been allocated for the LA's to conduct their initial resident engagement work. Our learnings from the Brockmoor NZN indicate this will be sufficient time to begin this work.</p> <p>Updated Section 1.4: Key risks. Risk ID 9 (p.23) PBC</p>
--	--	---

2.3 KEY OPPORTUNITIES

- Development of scalable, replicable, and financeable Net Zero Project models
- Enhancement of public and private sector collaboration towards achieving Net Zero Targets
- Contribution to the creation of a sustainable and just energy ecosystem.

Inclusive Growth

This programme will contribute towards Inclusive Growth within the West Midlands by:

- Supporting the transition to a low carbon economy, creating green jobs and skills development opportunities
- Promoting equitable access to the benefits of Net Zero projects, ensuring communities across the region can participate and benefit.
- Fostering innovation and investment in sustainable infrastructure and technologies, leading to economic diversification and resilience
- Encouraging Public and Private sector collaboration, leveraging investments that benefits all socio-economic groups.
- Enhancing environment sustainability, improving quality of life and health across communities in West Midlands.

#WM2041 Net Zero

WMCA declared a climate emergency in 2019 and identified a target date of 2041 by which the region should meet net zero target emissions.

This business case will contribute towards #WM2041 by:

- Accelerating the implementation of energy efficiency and renewable energy projects across the West Midlands
- Mobilizing significant investments in low carbon technologies and infrastructure.
- Supporting the development and deployment of innovative Net Zero Solutions
- Enhancing collaboration between public, private and community sectors to drive widespread adaptation of Net Zero practises.
- Building capacity and skills within the region to sustain long-term Net Zero objectives.

3.0 ASSURANCE FINDINGS

The BCAT (business case assessment tool) is a snapshot of the achievability of the programme at a precise moment in time, and since the assurance activity, the business case author has added further detail to the business case which provides more confidence that this PBC can deliver its objectives successfully.

WMCA Assurance rated the overall maturity of this business case as 95% which is defined as:

Green 80 – 100%: Successful delivery of the project / programme to time, cost and benefits realisation rather than quality... appears highly likely and there are no major outstanding issues that at this stage appear to threaten delivery.