

# Programme Business Case

Single Assurance Framework



Coventry  
University



West Midlands  
Combined Authority

## PROGRAMME BUSINESS CASE

The purpose of the **Programme Business Case (PBC)** is to select the projects and activities required to deliver the programme's spending objectives in support of the agreed strategy for the delivery of policy objectives.

A PBC should be used where several linked projects contribute to the same outcomes and cannot be treated separately. Producing a complete and detailed PBC means that the business cases for those projects can be smaller because they can refer to this submission.

**To support better spending, investment decisions and better procurement, this Programme Business Case should be written using WMCA guidance. In addition, it is a requirement that all proposals for public funds submitted to WMCA are guided and based around the HM Treasury's Green Book and supporting information can be found [here](#).**

PROGRAMME DETAIL			
<b>Programme Name:</b>	Local Net Zero Accelerator Programme and Fund		
<b>Directorate (if WMCA internal):</b>	Strategy, Economy and Net Zero		
<b>Organisation (if WMCA external):</b>	n/a		
GOVERNANCE			
<b>If external to WMCA, when was this project approved by your internal governance?</b>	n/a		
STAKEHOLDER INVOLVEMENT			
Provide the names of the following stakeholders who have been sighted on this business case prior to submission, note this is a mandatory requirement:			
<b>Senior Responsible Owner (SRO):</b>	Cheryl Hiles		
<b>WMCA Executive Director:</b>	Ed Cox		
<b>Finance Lead:</b>	Aqeel Rizvi		
<b>Legal Representative:</b>	Nigel Channer		
<b>Procurement Lead:</b>	Emily Sutton		
<b>Other (i.e., HR / Health &amp; Safety):</b>			
VERSION CONTROL			
<b>Version:</b>	1	<b>Date:</b>	05/01/24
<b>PBC Prepared by:</b>	George Simms	<b>Job Title:</b>	SMART Hub Lead

## EXECUTIVE SUMMARY

PLEASE PROVIDE A ONE-PAGE STAND-ALONE SUMMARY OF THE PROPOSED PROGRAMME WHICH INCLUDES (MAX 500 WORDS)

- A BRIEF PROGRAMME DESCRIPTION
- TARGET OBJECTIVES
- ASSOCIATED OUTPUTS

### Summary

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 our regional Trailblazer status. Total funding available for this project from DESNZ is between £6m and £7m of revenue, to be spent by March 2026.

Funding provided will cover staff, expertise, project/programme development, at risk capital investment where needed, model design and validation. At minimum, our model must address decarbonisation of transport, energy and buildings (domestic and public sector).

The core aim of this programme is to develop a scalable, replicable, and financeable model for accelerating progress to a just Net Zero energy transition.

To achieve the conditions of the funding award, we will design and build a regional Net Zero Fund, taking capital from grant funding, return seeking finance and outcomes funding, amalgamating into one funding pot and distributing equitably to enable place-based Net Zero projects. This blended finance model will help address one of the key barriers to delivering Net Zero projects at scale – the funding gap.

### Context

The WMCA has committed the region to achieving Net Zero by 2041. This requires investment into a wide range of infrastructure from homes and businesses to transport systems and energy networks. Included within the action plan to deliver the 2041 goal is an ambitious plan to retrofit the region's 1.2m homes while furthering the principles of inclusive economic growth; to achieve both Net Zero goals, but also transform residents' life opportunities by tackling the cost-of-living crisis, alleviating fuel poverty, improving [dh1] health and creating quality jobs.

We believe a place-based approach to achieving Net Zero is the only way to meet this target. We estimate that £30-72bn investment is needed just to decarbonise the region's homes let alone businesses and wider infrastructure. Public funding will not be sufficient to 'push' forward these changes, so consumer 'pull' and significant private finance will also be required. To make these investments attractive to investors, attractive to citizens and achieve our equality goals as public authorities, we need a blended finance model to enable place-based solutions.

The WMCA has agreed a Trailblazer Devolution Deal with UK Government which will allow for more regional control of Net Zero grant funding, starting with a devolved retrofit pilot, which increase our ability to leverage private finance. 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.

The outputs from this project will be replicable across other areas as devolution is rolled out. Addressing these barriers and blending finance solutions will make financing for Net Zero projects more attractive to funders and maximize the leverage of future devolved funding through the Single Funding Settlement to deliver Net Zero at pace and scale.

## Objectives

This programme has been built off the back of significant research and evidence, both regionally and nationally. Funded by Innovate UK, the Energy Capital Partnership has progressed research and understanding through its recent place-based smart local energy system ([Zero Carbon Rugeley](#)) and Net Zero Living (CAMPOS) projects. In the [Innovate UK funded Project CAMPOS Phase 1 report](#), the potential for 'outcomes funding' was explored to bring new finance into place-based decarbonisation projects as part of a blended finance model - focusing on carbon, energy systems resilience and health outcomes. The results highlighted varying degrees of market readiness to fund these outcomes, and the need to overcome three key barriers.

The primary barriers that must be removed to persuade outcome investors to engage with place-based projects such as WMCA's Net Zero Neighbourhoods (NZN) programme are:

- availability of reliable evidence of measurable **outcomes**;
- suitability of appropriate governance structures to reduce investment **risk**;
- and the means to consistently engage communities to develop **pipelines** of investable project opportunities.

This project will address these barriers by achieving 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, we will work with five NZN demonstration projects across the region, maximising the value and impact of the existing regional NZN programme.

## Demonstration and Outputs

By the end of the project, we will have delivered tangible outputs against each of the three barriers:

### 1. Shared data-protocols and infrastructure:

- A tested, legally compliant and scalable data and monitoring infrastructure to capture, store and share data from NZN projects.
- A data framework aligned to the regional Inclusive Growth framework that supports the needs of funders, including approved methodologies for monitoring: carbon savings; energy demand reduction; physical and mental health improvement.

### 2. Effective governance and terms:

- A governance structure that integrates the different forms of capital and ensures fair and transparent stakeholder participation, providing assurance to buyers and communities, with transparent decision-making and monitoring.
- Terms that set out the relationships and risks held by the various parties and ensure compliance with relevant legislative frameworks.

### 3. Supporting community participation:

- Building participation with residents and local authorities in five neighbourhoods.
- Installing monitoring equipment in hundreds of homes to gather evidence, demonstrate benefits of retrofit and provide data to inform the development of investment cases for each project
- Providing minor improvements to homes to build secure citizen engagement, build trust and deliver direct energy and carbon benefits.

We will deliver these outputs by utilising the WMCA's NZN demonstrator programme. This is a demonstrator in which participating local authorities adopt a place-based approach, undertake in-depth community engagement and co-design, to plan and deliver a range of Net Zero solutions. These include:

- warm, energy efficient homes with low carbon heating;
- low carbon mobility and active travel interventions; and
- neighbourhood regeneration and green space improvements.

These solutions will help to improve community resilience, support inclusive growth and provide increased local economic and employment opportunities.

The NZN programme has been chosen as a demonstrator for this accelerator for multiple reasons:

- the WMCA have already invested time and effort to engage partners working in these areas, so the NZN working group, partner local authority officers, communities and crucial industry contacts are briefed on the current situation and are prepared to mobilise at pace to meet the project deadlines

- the WMCA have already provided £350k of funding to our LA partners to develop NZN plans, meaning a series of projects are well scoped and will become ready for delivery very shortly.

#### FINANCE SUMMARY

The funding allocation for this programme has been announced by DESNZ, indicating that the region could have access to between £6.2m and £7m of revenue funding. However, we are yet to receive formal confirmation of these funds and the terms and conditions associated with them. The table below indicates the funding that we expect to receive, subject to further development and agreement of a business case with DESNZ. The exact value of the funding is still under negotiation with DESNZ and may change during the SAF process, but will be a minimum of £6.2m and could be up to £7m.

Finance Summary	PBC (£)
<b>Total Programme Cost:</b>	£6,200,000
<b>WMCA Funding Required:</b>	£6,200,000
<b>WMCA Funding Stream</b>	-
<b>Funds Secured:</b>	-
<b>Funds Not Secured:</b>	£6,200,000

N.B.

The table below shows the budget breakdown per Work Package for the £6.2m confirmed, but WMCA will put forward a budget proposal for the £6.9m DESNZ have indicated will be available

Funding provided to:	WMCA	External contractors/ consultants	West Midland Local authorities	Total
<b>For:</b>				
<b>Work package 1 - NZN development</b>	£ 272,415	£ 1,745,176	£ 1,311,262	£3,328,853
<b>WP2 - Data and monitoring</b>	£ 121,022	£ 695,250	£ -	£ 816,272
<b>WP3 - Governance</b>	£ 110,985	£ 608,462	£ -	£ 719,447
<b>WP4 - Market mobilisation and investment</b>	£ 107,752	£ 375,958	£ -	£ 483,710
<b>WP5 - Project Management</b>	£ 623,909	£ 66,736	£ -	£ 690,645
<b>Contingency</b>	£ 161,072	£ -	£ -	£ 161,072

<b>Total</b>	<b>£ 1,397,156</b>	<b>£ 3,491,582</b>	<b>£ 1,311,262</b>	<b>£ 6,200,000</b>
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## 1 - STRATEGIC CASE

### *PROVIDING STRATEGIC FIT SUPPORTED BY A COMPELLING CASE FOR CHANGE*

#### 1.1 PROGRAMME OBJECTIVES AND ALIGNMENT TO WMCA AIMS

**Outline the SMART (Specific, Measurable, Achievable, Realistic and Time-Dependent) objectives of the programme and how they will be measured within the table below. Desired outcomes include improved economy, efficiency, effectiveness, replacement and compliance.**

**Note, all programmes need to consider Inclusive Growth and its contribution to Net Zero.**

The LANZ Programme aims to address one of the key barriers to delivering place-based Net Zero projects at scale, that include retrofit – the funding gap. Grant funding is insufficient to meet the costs associated with meeting our Net Zero targets, so other sources of finance must be brought in. The returns on the retrofit elements of place-based Net Zero projects are not commercially attractive but are an essential part of the mix, so this project aims to mobilise outcomes-seeking finance as an additional form an income source into a blended regional fund, alongside devolved grant and private debt to finance whole place solutions.



Table 2

#	Objective	Quantitative Baseline	Target	Specific actions to achieve objective	How will the customer be impacted? (i.e. Outcomes)	Alignment to WMCA Aims and Objectives
1.	Collect baseline data on carbon emissions, health indicators and grid capacity in 5 neighbourhoods	NA	Tbd pending outcome of citizen engagement work in each neighbourhood	<p>WP1 Actions:</p> <ol style="list-style-type: none"> <li>1. Recruitment of 5x LA NZN officer(s)</li> <li>2. NZN plan review and update – choose plans most suitable to focus on each DESNZ area of interest (transport, energy systems, building decarbonisation) through use of the LAEP+ tool.</li> <li>3. LA procures delivery partner (with procurement support available from WMCA)</li> <li>4. Initial resident engagement</li> <li>5. Retrofit assessments</li> <li>6. Install of monitoring equipment/ simple retrofit measures</li> </ol> <p>WP2 Actions:</p> <ol style="list-style-type: none"> <li>1. Procure advisory panel on outcomes metrics</li> </ol>	<p><b>Resident</b> will benefit from:</p> <p>Installation of Home Energy Monitoring/other energy awareness devices that empower them to change their consumption</p> <p>Retrofit assessments which will contribute to planned repairs and maintenance &amp; a Net Zero Pathway for their home</p> <p><b>Local Authority</b> will benefit from:</p> <p>Increased capacity and skills</p> <p>Specialist business case development support and technical advisory</p>	Reduce carbon emissions to net zero and enhance the environment

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				<ol style="list-style-type: none"> <li>2. Identify metrics to best evidence outcomes from place-based NZ projects</li> <li>3. Develop data infrastructure to measure and record outcomes</li> </ol>		
2.	Develop a data infrastructure solution to evidence outcomes generated in neighbourhoods for outcome-buyers	No infrastructure or capacity/ expertise within WMCA to monitor or process data generated through retrofit/ energy infrastructure investment	Suitable data solution designed and built to gather, collate, and process data from projects.	<p>WP2 Actions:</p> <ol style="list-style-type: none"> <li>1. Procure a data systems and infrastructure specialist to advice on specific requirements and activities needed to realise our desired outcomes</li> <li>2. Recruit a Work package lead and project officer to manage and conduct activities, informed by data infrastructure specialist.</li> <li>3. Procure panel of experts across our three target outcomes and hold workshops to inform on appropriate indicators and metrics to evidence outcomes for monetisation.</li> <li>4. Develop data infrastructure solution, in accordance with guidance from specialist</li> </ol>	<p><b>Local Authority</b> will benefit from a:</p> <p>Verified set of reporting outcome metrics/KPIs for their business cases.</p> <p><b>WMCA</b> will benefit from a:</p> <p>Data architecture on energy and retrofit that will allow us to track accurate progress towards Net Zero (i.e installation of retrofit numbers, number of low carbon installs etc).</p> <p>Method for evidencing the outcomes generated through retrofit/ NZ projects, bridging the gap between outcome-generating projects and potential outcome-buyers.</p>	Reduce carbon emissions to net zero and enhance the environment

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				5. Populate with baseline data from 5 pipeline NZNs and live data from Brockmoor.		
3.	Design a suitable governance structure for the regional fund, ensuring needs of outcome buyers are met, while maintaining fairness and ownership of decisions and data with residents.	No governance structure/ outline terms and conditions exist for managing a Regional Net Zero fund that can take blended finance and apply it to place-based investments ensure projects are not cherry picked	Design and establish the governance and legal frameworks required to establish the Regional Net Zero fund. Produce a playbook for replication – to ensure that we are meeting the requirements of the Programme funder (DESNZ)	<p>WP3A Actions:</p> <ol style="list-style-type: none"> <li>1. Design and test the neighbourhood level governance structure in partnership with the Local Authority and their role in programme delivery (ie. engagement, installations, monitoring and verification management, etc.)</li> <li>2. Design an oversight mechanism (e.g. Review Panel) that brings together investors, local authorities and citizens for ensuring outcome contracting is carried with in accordance to pre-defined principles.</li> <li>3. Work with WMCA in co-designing the data framework, and more specifically how it relates to and impacts potential governance implications.</li> <li>4. Run a co-design process (eg. A series of workshops)</li> </ol>	<p><b>Private sector investors</b> will benefit:</p> <p>Being able to see clear participation route for investing in local Net Zero projects in the region.</p> <p><b>WMCA</b> will benefit:</p> <p>Produce a Fund capable of financing Net Zero projects in the region, helping to reduce the size of the funding gap that is limiting our progress towards Net Zero.</p> <p><b>Local Authorities</b> will benefit:</p> <p>By having access to an additional funding pot for their Net Zero projects.</p> <p><b>Residents</b> will benefit:</p> <p>By having contributed to the design of a funding structure that will generate outcomes that are meaningful to them</p>	Ensure everyone has the opportunity to benefit

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				<p>with local residents to define their role in defining, monitoring and validating outcomes (eg. whats the lived experience of carbon emissions reduction).</p> <ol style="list-style-type: none"> <li>5. Run a co-design process (eg. a series of workshops) to understand resident attitudes and reactions to the financialisation of outcomes, possible beneficiaries, and assets ownership.</li> <li>6. Through the co-design process, draft a high-level brief / term sheet for drafting a future outcomes formal legal contract(s).</li> <li>7. Publish a playbook for replication, based on the above learnings, detailing:             <ol style="list-style-type: none"> <li>a. Methodology for engagement and codesign with community to scope degree of desired participation</li> </ol> </li> </ol>	
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				<p>b. Template term sheet for outcomes contract with options</p> <p>WP3B Actions:</p> <ol style="list-style-type: none"> <li>1. Seek legal advice on the frameworks required to set up a legally compliant fund.</li> <li>2. Procure fund design and legal specialists to inform specifications and exact deliverables required to setup a legally compliant and responsible fund.</li> <li>3. Draft legal agreements for investors and capital-seeking projects</li> <li>4. Setup required bodies and arrangements for the fund.</li> <li>5. Legal framework and terms and conditions established to setup the fund.</li> <li>6. Regional fund established.</li> </ol>		
4.	Develop investable grade business cases for our cohort of NZN's, including projections	No business cases for NZNs in Birmingham, Wolverhampton, Solihull,	Investable grade business cases for each NZN	<p>WP1B Actions:</p> <ol style="list-style-type: none"> <li>1. Develop relationships with LA delivery officers and gain understanding of the scope of the plans.</li> </ol>	<p><b>Private sector</b> investors will benefit:</p> <p>Being able to see clear participation route for investing in</p>	Promote inclusive economic growth in every corner of the region

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	across our three outcomes, to facilitate future outcomes-based finance. Business cases to 'major' and 'minor' on DESNZ categories of interventions (transport, energy systems and building decarbonisation)	Sandwell, or Walsall		<ol style="list-style-type: none"> <li>2. Support LA's in identifying and collation of relevant data to build evidence base for the business cases.</li> <li>3. Develop first iteration of commercial models using prerequisite data, and outcomes baseline data</li> <li>4. Develop first iteration business cases, using outputs from the commercial modelling and working with the LA's and their reviewed NZN plans.</li> <li>5. Soft market testing workshops with potential buyers and using existing SLES Investor Panel for feedback</li> <li>6. Review business using feedback from soft market testing</li> <li>7. Development of a roadmap for utilising outcome-based capital for retrofit/NZNs</li> </ol>	<p>well scoped and investible projects in the region.</p> <p><b>Local Authorities</b> will benefit:</p> <p>By having detailed business cases and commercial models for their Net Zero Neighbourhood plans, facilitating future investment into their areas.</p> <p><b>WMCA</b> will benefit:</p> <p>By having a pipeline of projects ready for funding through the Single Funding Settlement devolution deal.</p>	
5.	Identify, engage with, and mobilise a group of potential investors to build a blended finance	Market testing has shown that no investors are currently willing to contribute due	At least one investor from the grant-funding and return-seeking capital income	<p>WP4 Actions:</p> <ol style="list-style-type: none"> <li>1. Identify likely investors, building on engagement model developed during CAMPOS phase 1</li> </ol>	<p><b>Private sector investors</b> will benefit:</p> <p>By helping design the monitoring framework and selecting appropriate indicators, outcomes investors will see a collection of</p>	Promote inclusive economic growth in every corner of the region

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	<p>stack to fund the NZN projects in each local authority area.</p>	<p>to returns being too low and risk being too high</p>	<p>streams, and at least one outcome-buyer for each of our 3 outcomes.</p>	<ol style="list-style-type: none"> <li>2. Workshops with potential outcome buyers to identify appropriate indicators to evidence delivery of outcomes</li> <li>3. Workshops to identify suitable payment arrangements (e.g. payment up-front, or in arrears)</li> <li>4. Identify the total potential value of outcomes generated through the NZN projects</li> <li>5. Use workshop outcomes to move towards commercial agreements with identified investors</li> </ol>	<p>projects evidencing generation of outcomes in a way that is appropriate for investment.</p> <p>Local Authorities will benefit: By having access to an additional funding pot for their Net Zero projects.</p> <p>WMCA will benefit: By having identified and onboarded a cohort of engaged investors, willing to fund Net Zero projects in the region.</p>	
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## 1.2 ORGANISATIONAL OVERVIEW

**Provide a brief overview of the organisation(s) making the case for intervention and change.**

West Midlands Combined Authority (WMCA) was set up in 2016 as a devolved organisation to ensure more decisions about the region could be made locally. The aim of the WMCA is to make the West Midlands a happy, healthy place to live.

WMCA is made up of 7 constituent councils and a wider set of non-constituent members, totalling 18 local councils and 1 local enterprise partnership (LEPs). Our Chief Executive is Laura Shoaf. She leads WMCA along with the Mayor, Andy Street, and the leaders of the 7 constituent councils.

Energy Capital is the regional energy partnership for the West Midlands that is part of the SENZ Directorate at the WMCA and brings the public and private sectors together to deliver place-based energy solutions. Energy Capital provides a single point of contact for government, regulators, funders, investors and partners across the West Midlands geography. Our aim is to create an attractive environment for energy innovation to thrive in the West Midlands and position the region as a leader in the global transition to net zero. Energy Capital's executive team is based within the WMCA and is led by Cheryl Hiles (Director). SMART Hub (Sustainable Market for Affordable Retrofit Technologies) is Energy Capital's programme to support development of a functioning market for retrofit within the West Midlands and is led by George Simms. The Net Zero Neighbourhoods programme out of which the Net Zero Accelerator has been developed is part of the SMART Hub and is led by Ayushi Vyas.

## 1.3 EXISTING ARRANGEMENTS AND BUSINESS NEEDS

**Provide a complete summary of the organisation's current service model referring to its Business as Usual (BAU) offer, this may also include elements of services provided within the organisation's external environment.**

**Also, state the deficiencies associated with the current provision and the implications if the programme does not proceed.**

Energy Capital's SMART Hub programme seeks to support delivery of retrofit projects to homes in the region and the development of a thriving retrofit market capable of ensuring that every home in the region is low carbon and affordable to heat and power.

Our work with Innovate UK and partners has shown that scaling the finance model for place-based Net Zero solutions that include retrofit, remains one of the most challenging, non-technical, systemic barriers to realising place-based Net Zero transition plans.

We estimate that £30bn-72bn investment is needed to retrofit the West Midlands' 1.2m homes to meet our Net Zero goals while transforming residents' life opportunities. Retrofit can help manage the cost-of-living crisis, alleviate fuel poverty, improve health and creating good quality, skilled, local jobs.

Public funding will never be sufficient to cover these costs and significant private finance is required. WMCA has agreed a Trailblazer Deeper Devolution Deal with UK Government which will allow for



more regional control of retrofit funding to help better meet the region's investment needs. This programme will pave the way for the long-term success of devolved retrofit funding, putting in place the infrastructure needed to leverage government funding and attracting significant private investment, while at the same time developing a pipeline of place-based Net Zero project.

Our aim is to develop an innovative regional fund that brings together three sources of capital to deliver place-based retrofit initiatives at scale – government grants, repayment (commercial investment) and 'outcome-based' capital (from parties looking for specific non-financial outcomes) - alongside a governance mechanism that enables full participation from stakeholders across the region to design and lead retrofit initiatives, supported by real-life data and insights from the lived experience of residents.

A key part of the capital stack required to fund retrofit programmes is outcomes-based funding. By completing a retrofit, or other place-based Net Zero project additional benefits, beyond the carbon savings are generated. This programme aims to evidence, monetise and sell those additional benefits, as an alternative source of capital to fund further retrofit in the region. While we don't know how much additional funding this approach could generate, current spending across the UK for outcomes is large, and increasing to grow. For example, carbon credits, accounting for 14.9M tonnes of CO<sub>2</sub> have been purchased by UK companies since 2021, with the number predicted to grow rapidly. The majority (90%) of these credits fund projects in the global south, we propose providing a regional option – funding our retrofit programmes.

Public sector investment is required as our UK climate targets are legally binding, and funding is a key barrier preventing large scale roll out of Net Zero projects, required to meet this target. The public sector must do this, as for example, deep retrofit at scale is not currently commercially viable, so we cannot wait for the market to move. At the same time, large amounts of investment is being channelled into large scale infrastructure projects such as £6 billion into the existing electricity distribution network in the West Midlands in the next five years. By coordinating efforts and ensure that this funding is spent in a way which enables greater co-benefits of the other elements of the decarbonisation plan, we will achieve greater outcomes. BAU currently does not allow for this level of coordination.

By not proceeding and continuing with BAU, we will never generate sufficient finance to deliver retrofit at scale, leaving the majority of people in the region in leaky, inefficient, cold homes. We will certainly miss our regional 2041 decarbonisation target and fail to adequately play our part in meeting the legally binding national decarbonisation target of 2050.

1.4 KEY RISKS

Specify the main risks associated with the achievement of the programme’s objectives. Outline the proposed counter measures for avoidance, mitigation, and management.

The information provided should align to both the Risk Register and Issue Log attached with this PBC.

*Table 4*

ID	Risk	Impact (1-5)	Probability (1-5)	RAG Rating	Risk Owner	Proposed counter measures
1	<p><b>Internal legal team do not have capacity to support this programme to required levels.</b></p> <p>We will require a minimum of 5 grant agreements between the WMCA and Local Authorities, oversight of delivery contracts between local authorities and their delivery partners (a key learning from delivery of the Brockmoor Net Zero Neighbourhood), collaboration agreements between project partners (number pending procurement approach).</p> <p>In addition, this programme has the potential to generate commercially sensitive IP. As such, we will require support from the legal team to protect these commercially sensitive outputs.</p> <p>We will require input into the design and contents of these documents, in addition to sign-offs and likely with tight turn-arounds to keep the programme on schedule.</p>	5	5	25	LNZA SRO	<p><b>Avoidance:</b></p> <p>Legal team have been contacted in advance of PBC submission, to highlight scale of incoming works and this is being escalated. Attempting to ensure additional support being procured by DESNZ also includes legal expertise for the WMCA to call on when needed.</p> <p><b>Mitigation:</b></p> <p>Take a portion of the WMCA top slice to hire our own dedicated legal support.</p> <p>Request for dedicated officer from the legal team to work on the LNZA programme.</p> <p>Draft grant agreements for the 5 NZNs will be based on the existing Brockmoor grant agreement and deliverables which will save considerable time. Additionally, we have early insight into sticking points on onward procurement contracts for delivery partners through Brockmoor which will also prove helpful.</p> <p><b>Management:</b></p> <p>Risk has been raised to SENZ senior leadership team in advance of PBC submission.</p> <p>Procurement/ HR/ Legal tracker maintained by SMART Hub team and monitored weekly to minimise delays.</p>

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2	<p><b>Internal procurement team do not have capacity to support this programme to required levels.</b></p> <p>We will require a large procurement exercise to onboard sufficient expertise into the programme team to make the programme a success.</p> <p>One potential procurement pathway involves issuing one tender, with ~10 lots to the market. Each lot will require input into their design and contents, in addition to sign-offs and likely with tight turn-arounds to keep the programme on schedule.</p> <p>In addition, we propose centrally procuring services common across the NZN delivery projects on behalf of the LA partners. This may add additional procurement requirements.</p>	5	3	15	LNZA SRO	<p><b>Avoidance:</b></p> <p>Procurement team have been contacted in advance of PBC submission, to highlight scale of incoming works.</p> <p>Draft procurement specifications have been developed in advance of PBC submission.</p> <p>Procurement strategy has been discussed in advance of PBC submission.</p> <p><b>Mitigation:</b></p> <p>Request for dedicated officer from procurement team to work on the LNZA programme.</p> <p><b>Management:</b></p> <p>Risk has been raised to SENZ senior leadership team in advance of PBC submission.</p> <p>Procurement/ HR/ Legal tracker maintained by SMART Hub team and monitored weekly to minimise delays.</p> <p>Continued regular catchups with procurement team to assess capacity to support and plan activities.</p>
3	<p><b>Internal finance team do not have capacity to support this programme to required levels.</b></p> <p>We will require significant input from the WMCA Green Finance Lead (yet to be appointed) to support Work Package 3 and Work Package 4 efforts on the set up of the regional fund and helping to engage and own relationships with the finance sector.</p> <p>N.B. DESNZ will be procuring a separate service to provide support to the Accelerator projects, including</p>	5	5	25	LNZA SRO	<p><b>Avoidance:</b></p> <p>Finance team have been contacted in advance of PBC submission, to highlight scale of incoming works. Attempting to ensure additional support being procured by DESNZ includes the appropriate expertise for the WMCA to call on as needed.</p> <p><b>Mitigation:</b></p> <p>Request for dedicated officer from finance team to work on the LNZA programme.</p> <p>Additional resource (c. £600k) to be provided to the WMCA by Southeast Net Zero Hub to provide specialist support on:</p> <ul style="list-style-type: none"> <li>- Analysis of investment strategies</li> </ul>

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	ours. This will likely give us access to around £600k worth of additional finance support from whatever entity is procured to help ensure our model is replicable by other authorities.					<ul style="list-style-type: none"> <li>- Commercial modelling of projects</li> <li>- Sourcing additional finance</li> <li>- Sourcing finance to support setup of agreed legal structures (Regional Net Zero Fund)</li> <li>- Programme monitoring and evaluation and audit</li> </ul> <p>The WMCA is in a position to influence the scope of this resource, however the LNZA programme team will require advice from finance to inform our ask.</p> <p><b>Management:</b></p> <p>Risk has been raised to SENZ senior leadership team in advance of PBC submission.</p>
4	<b>Ambition of work scope leads to deliverables not being met within timelines of the project</b>	5	3	15	LNZA SRO	<p><b>Avoidance:</b></p> <p>Although the scope is ambitious, it has been developed to be successful for the Innovate UK Net Zero Living funding competition. As such deliverability was a key consideration during scoping and a great deal of groundwork has been undertaken. As this bid was successful before being funded by an alternative source, Innovate UK believe the scope to be deliverable.</p> <p>All project partners are experts in their fields and are highly motivated to ensure the quality of outputs.</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><b>Mitigation:</b></p> <p>Sufficient allowance (resource and time) with contingency has been made for integration of work products.</p> <p><b>Management:</b></p> <p>Detailed project plan developed which is proactively managed in agile methodology using weekly sprints.</p>

## SINGLE ASSURANCE FRAMEWORK

						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.
5	<b>Timelines of the project leads to deliverables not being of sufficient quality to ensure the outcomes of the project</b>	5	2	10	SRO	<p><b>Avoidance:</b></p> <p>All project partners are experts in their fields and are highly motivated to ensure the quality of outputs.</p> <p><b>Mitigation:</b></p> <p>This will be assured by the scheduled release of early outputs from the process to a separate 'challenge group' of wider WMCA officers who have both market and place making expertise, such as the officers responsible for inclusive growth.</p> <p><b>Management:</b></p> <p>As WMCA are leading on the project, and responsible for the final deliverables all outputs will be underpinned by the Strategic Assurance Framework (SAF) process.</p>
6	<b>Dependencies across work package. Delays in one may impact work for other project partners.</b>	5	3	15	SRO	<p><b>Avoidance:</b></p> <p>As this is a complex and interwoven programme of projects, dependencies are unavoidable.</p> <p>This is a risk inherent to the nature of the programme and will have to be managed carefully. The success of the programme is dependent on project partners working openly together with strong team culture instilled from the beginning of the programme.</p> <p><b>Mitigation:</b></p> <p>Budget allows for a project organisation and coordination role to manage the interdependencies between work packages and create a guidance function.</p> <p>Strong programme governance (as evidenced in the organogram) is also essential to making sure appropriate</p>

## SINGLE ASSURANCE FRAMEWORK

						<p>oversight to ensure dependencies and associated impacts are managed ahead of time.</p> <p>Setting good working practices and principles of transparency and shared accountability at the beginning of the programme and throughout will help with identifying and managing impact of dependencies.</p> <p><b>Management:</b></p> <p>Programme management meetings to track progress of all work packages against the combined programme plan.</p>
7	<b>Onboarding of subcontractors and sourcing additional capacity (WMCA and wider programme partners) delay project initiation</b>	3	3	9	SRO	<p><b>Avoidance:</b></p> <p>Soft market testing for subcontractors conducted during bid writing stage. Partner organisations have extensive networks, with strong links to industry, providing a strong pool of subject matter experts to support the project. HR teams in partner organisations who are likely to hire additional resource have been briefed in advance.</p> <p><b>Mitigation:</b></p> <p>Procurement and HR teams within WMCA and LA's have been briefed in advance, to expert large influx of activities due to the programme.</p> <p><b>Management:</b></p> <p>Regular meetings scheduled with the WMCA procurement team to monitor progress and highlight any issues in advance. Procurement/ HR/ Legal tracker maintained by SMART Hub team and monitored weekly to minimise delays.</p>
8	<b>Delay caused by complex oversight requirements of Programme Funder (DESNZ and by association South East Hub).</b>	4	3	12	SRO	<p><b>Avoidance:</b></p>

## SINGLE ASSURANCE FRAMEWORK

	<p><b>This programme is part of a cohort of other accelerators being funded centrally by DESNZ so there may be some inefficiencies that come from aligning with the other cohort participants.</b></p> <p><b>Separately Innovate UK has expressed interest in the programme and have requested our involvement in the Net Zero Living Programme as a cohort member which will require additional resource to manage.</b></p>					<p>Due to the nature of the funding and involvement of the funder in the Programme Board, this risk will be unavoidable.</p> <p><b>Mitigation:</b></p> <p>The Energy Capital team has good relationships with DESNZ and Innovate UK and have been able to leverage these to date to gain clarity where possible on expectations.</p> <p>A further mitigation will be to create strong working relationships with the other combined authorities (already established with GMCA) to ensure all cohort participants are aligned.</p> <p>The WMCA are in a strong position to lobby DESNZ and the South East Hub such that their input to the WMCA programme, and our involvement with the wider Net Zero Living and Net Zero Accelerator programmes best matches our requirements.</p> <p>Regular communication with contacts at DESNZ and managing expectations clearly and ahead of time with them and the South East Hub will be essential.</p> <p>Similarly. Having early oversight of all Innovate UKs expectations from us will be essential to managing the additional resource and capacity that will be required to participate in the Net Zero Living programme.</p>
9	<p><b>Large dependency on successful neighbourhood engagement for work packages 1, 2, and 3.</b></p>	5	3	15	<p>LA project officers (funded by WMCA through the programme)</p>	<p><b>Avoidance:</b></p> <p>Citizen engagement is a cornerstone of the Net Zero Neighbourhood, and wider place-based decarbonisation approach. As such, we are unable to completely avoid this risk.</p> <p><b>Mitigation:</b></p>

## SINGLE ASSURANCE FRAMEWORK

						<p>Neighbourhood engagement work in the Brockmoor NZN (separate to this programme) has started in December 2023. Learnings from Brockmoor will be shared with project partners to inform decision making in their citizen engagement work.</p> <p>WMCA NZN working group membership includes experts in citizen engagement. We will use this network to inform decision making around the citizen engagement work. Engagement will be the main agenda item of the next NZN working group meeting.</p> <p>LA's and other key stakeholders have been onboarded, prior to project initiation to prepare their engagement teams.</p> <p><b>Management:</b></p> <p>Cohort approach to NZN delivery allows sharing of best practice between LA's.</p> <p>Cohort meetings will track engagement success across the neighbourhoods. Detailed lessons learnt logs will be kept for each neighbourhood, ensuring learnings from each approach are tracked and actioned.</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>
10	<b>Economic or policy changes, and supply chain disruptions impacting programme deliverability and effectiveness of outcomes</b>	4	3	12	LNZA SRO	<p><b>Avoidance:</b></p> <p>The programme team have limited ability to impact external factors such as economic or policy changes, however Energy Capital is well positioned to lobby for policy changes. If economic change makes deliverability</p>



## SINGLE ASSURANCE FRAMEWORK

						<p>of Net Zero projects more difficult, the work in establishing this fund becomes more important, Conversely, if funding projects becomes easier, the mechanisms established will allow for greater leverage of public funding, delivering better outcomes for residents and funders.</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> <p>Soft market testing has been conducted during the programme scoping phase, including securing letters of support from key external stakeholders.</p> <p><b>Mitigation:</b></p> <p>Multiple focus 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><b>Management:</b></p> <p>Programme governance structure allows effective dissemination of information regarding policy and economic changes to the project team. Energy Capital officers have good oversight of the energy policy landscape.</p>
11	<b>Exact terms and conditions for the funding have yet to be signed between DESNZ and the WMCA. Risk of changes to scope</b>	4	2	8	LNZA SRO	<p><b>Avoidance:</b></p> <p>DESNZ have indicated a minimum of £6.2m in funding quantum for this programme, therefore any changes to the funding will only increase the total budget.</p>

## SINGLE ASSURANCE FRAMEWORK

	<p>compared to that outlined in this PBC and project plan.</p>				<p><b>Mitigation:</b></p> <p>The project team have been proactive in supplying as much detail about the proposed programme to DESNZ as possible, including this PBC to socialise the objectives, and influence DESNZ internal approvals.</p> <p>For any increases in budget, we propose increasing the funding allocated to each local authority for capital works. Potential changes in funding will require project change requests, and scope for changing funding allocations will be included in the grant agreements between the WMCA and Local Authorities.</p> <p><b>Management:</b></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 DSNZ) 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 writing, and is dependent on the Programme Board (DESNZ chaired) being established.</p>
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## SINGLE ASSURANCE FRAMEWORK

Scoring Matrix						
Likelihood	5 - Very high	5	10	15	20	25
	4 - High	4	8	12	16	20
	3 - Medium	3	6	9	12	15
	2 - Low	2	4	6	8	10
	1 - Very low	1	2	3	4	5
		1	2	3	4	5
		Minimal	Minor	Significant	Major	Critical

1.5 BENEFITS

State the main benefits associated with achievements of the programme. This should be aligned with the Benefits Realisation Plan and Benefits Register appended to this PBC.

*Table 4*

#	Benefit	Benefit Type	Beneficiary
1.	Increased awareness and participation in and around Net Zero & climate change action	Quantifiable but not readily monetisable benefits (QB)	West Midlands citizens WMCA DESNZ
2.	Pathways to retrofit a large number of homes across the WM's following retrofit assessments/ citizen engagement in the NZN areas	Quantifiable but not readily monetisable benefits (QB)	Vulnerable WM citizens and the low carbon sector
3.	Across the WM, domestic heating carbon dioxide emissions are reduced as a result of light touch measures installed in homes	Monetisable, including cash benefits	West Midlands citizens Government Low carbon sector
4.	Ability to reduce energy consumption and energy bills, reducing risk of fuel poverty	Quantifiable but not readily monetisable benefits (QB)	Vulnerable WM citizens Local Authorities
5.	Warmer, more comfortable homes	Social value: Indirect public sector benefits, including Quantifiable (QB) and Non-cash releasing (non- CRB) Social value: Wider benefits to UK society, including Non-cash releasing/non- CRB (e.g. social prescribing impact on NHS) and Quantifiable (QB) & Qualitative (Qual) wider social value benefits to citizens.	Vulnerable WM citizens Local Authorities WMCA Government - DESNZ
6.	Better connected neighbourhoods through delivery of light-touch mobility interventions	Quantifiable but not readily monetisable benefits (QB)	WM Residents
7.	Greener neighbourhoods through delivery of light-touch green space interventions	Quantifiable but not readily monetisable benefits (QB)	WM Residents

8.	The supply chain continues to build capability and experience within a framework that demonstrates continued demand with quality assurance and oversight.	Quantifiable but not readily monetisable benefits (QB)	Low carbon sector and supply chain
9.	Greater transparency around domestic energy consumption and impacts of retrofit on planning	Quantifiable but not readily monetisable benefits (QB)	Distribution Network Operator
10.	Improved health and wellbeing of residents through more comfortable, warmer homes and better local amenities	Social value: Indirect public sector benefits, including Quantifiable (QB)	Government - DESNZ Residents
11.	WMCA build capability and knowledge to deliver retrofit programmes in the future, helping to achieve objectives	Quantifiable but not readily monetisable benefits (QB)	West Midlands Combined Authority
12.	WMCA gain learning and evidence to enable influencing for wider retrofit market development, and prepare for greater devolution of funding for retrofit	Quantifiable but not readily monetisable benefits (QB)  Cash releasing (CBR)	West Midlands Combined Authority
13.	Pipeline of investible retrofit and regeneration projects developed	Cash releasing (CBR)	Local Authorities Residents  Low carbon sector and supply chain
14.	Investors onboarded and ready to invest in place-based NZ projects	Cash releasing (CBR)	Local Authorities Residents
15.	Additional funding sources secured to fund delivery of place-based Net Zero projects	Cash releasing (CBR)	Government - DESNZ WMCA Local Authorities Residents

NB: A key goal of this programme is to evidence a monetisable link between carbon, health and energy systems outcomes as a result of place-based NZ projects. As a result, some of the benefits are currently not readily monetisable, but will be post-programme.

## 1.6 CONSTRAINTS

**Specify any constraints that have been placed on the programme.**

The Funding is granted on the condition that it meets that following objective:

“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 - which is scalable, replicable and which leads to contracted or secured investment partners capable of delivering at scale by circ. March 26. Delivery must commence shortly after, if not before”.

The funding can be used to cover:

- Staff and expertise
- Project / programme development including at risk funding
- Model/approach design and validation

The WMCA is currently finalising the funding agreement and conditions with DESNZ and it is therefore not yet clear whether there will be any spending profile constraints. Delivery of the programme is expected to be completed by March 2026. There are however no spending restrictions relating to revenue vs capital spend that have been stipulated.

## 1.7 DEPENDENCIES

**Specify any dependencies outside the scope of the programme upon which the success of the programme is dependent.**

The success of the programme is dependent on Government funding being confirmed and transferred to WMCA within a realistic timeline.

There are no specific dependencies outside of the scope of the programme on which the success of the project is dependent but there are various external factors that could contribute to programme effectiveness. Those are:

- Changes in Government policy may make larger retrofit more commercially viable (e.g. levies or other incentives). However, this is unlikely to completely mitigate the need for developing the regional fund, as the funding gap is so large, we still need to bring together and merge capital from private finance and the public purse.
- Changes in Government policy around current carbon emissions reporting mandates, which may affect the ability to successfully demonstrate and establish the ability to sell carbon credits arising from the retrofit projects being scoped by the programme
- Economic or financial instability, which may impact on costs or the ability or willingness of potential finance providers to engage with the programme
- Cost inflation within the supply chain, which may mean that project budgets do not cover planned costs and programme
- Any global shortages of key pieces of equipment or components – e.g. microchips or sensors needed for remote monitoring equipment – may impact on delivery costs and timescales and may impact on programme deliverables and outcomes
- The readiness and ability of the supply chain to be able to meet the requirements of this project – this may be influenced by the timing of separate government-funded projects for example, which may take up capacity within the supply chain and result in higher costs and/or lower availability of people to undertake work, leading to lower quality or fewer outputs
- Extreme weather events, which may prevent elements of the programme from proceeding within the planned timeframes – in particular citizen engagement and undertaking retrofit surveys and works
- The willingness of residents of the five neighbourhood areas to participate within the project – while this will be influenced by the programme's design for

community and household engagement, success is ultimately reliant on the individual decisions of households to participate or not.

## 2 ECONOMIC CASE

*MAXIMISE PUBLIC VALUE TO SOCIETY THROUGH THE SELECTION OF THE OPTIMAL COMBINATION OF SCOPE, COSTS AND OUTCOMES*

### 2.1 CRITICAL SUCCESS FACTORS

**List the critical success factors i.e., what must this programme achieve to be successful?**

**Align this to the individual project(s) that will contribute to the delivery of each CSF.**

#	Critical Success Factor (CSF)	Alignment to Programme Objectives / Related Project (s)
1.	<p>Successful resident engagement in 5 NZN areas, leading to installs of suitable monitoring equipment and light-touch measures to quantify co-benefits delivered by of place-based NZ projects.</p> <p>To satisfy the funding requirements from DESNZ, interventions must cover transport/ mobility, energy systems and building decarbonisation.</p>	<b>WP1a (can expand to cover key milestones)</b>
2.	<p>Development of detailed business cases and commercial models for the NZNs – producing a pipeline of investible projects pitched at both outcomes-investors, and private, returns seeking finance.</p>	<b>WP1b</b>
3.	<p>Development and implementation of an appropriate data infrastructure solution to capture and share data from retrofits and place-based Net Zero projects on co-benefits.</p>	<b>WP2</b>
4.	<p>Design the governance structure required to implement a regional blended funding model for Net Zero projects. Ensuring the needs of residents are met, providing sufficient evidence of generated benefits to satisfy investors and protecting participants from legal and financial liabilities through appropriate governance.</p>	<b>WP3a</b>
5.	<p>Successfully setup the Regional Net Zero Fund, with clear pathways for investors to enter the fund, and a pipeline of place-based projects requiring access to capital.</p> <p>This addresses DESNZ requirement for our programme to produce an outcome that is scalable and replicable.</p>	<b>WP3b</b>

5.	Investor market is mobilised, with sufficient buy-in to investment, once the required infrastructure (data and regional fund) are established.	WP4
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## 2.2 LONG LIST OF OPTIONS

Determine the long list options and undertake SWOT (strengths, weaknesses, opportunities, threats) analysis to complete the table below. All supporting evidence informing the long list together should be made available if requested for reference and/or Assurance and Appraisal purposes.

Information provided for the short-listed options should also feature below.

#	Option Description	Advantages (Benefits)	Disadvantages (Disbenefits)	Does this option meet objectives and CSFs? (Y/N)
1.	Delivery of programme focused purely on revenue spend	<ul style="list-style-type: none"> <li>Capacity building</li> </ul>	<ul style="list-style-type: none"> <li>No ability to quantify the real-world benefits of interventions – makes monetising more difficult.</li> <li>Unable to deliver interventions in the NZN areas. Community engagement is conducted, trust is built but likely to be lost with no 'prize' to offer for involvement.</li> </ul>	N
2.	Delivery of programme focused purely on capital spend	<ul style="list-style-type: none"> <li>Greater evidence base on the co-benefits generated by place-based NZ projects</li> </ul>	<ul style="list-style-type: none"> <li>Limited capacity within the LA's to deliver the NZN plans</li> <li>No spend allocated towards governance for the regional fund – no way to ensure it is fit for purpose and contributing towards a just transition</li> <li>We already have a NZN in delivery, unlikely to generate sufficient new</li> </ul>	N



			<p>learnings to justify a 100% capital spend</p> <ul style="list-style-type: none"> <li>• Unlikely to satisfy requirements from DESNZ – what are we producing/ learning that is new, scalable and replicable?</li> </ul>	
3.	Programme delivered by an external entity	<p>Officer capacity within Energy Capital is protected.</p> <p>Way of ensuring delivery is managed by an organisation with experience in administering large programmes with a cross of research/ theoretical work and delivery of large capital projects.</p>	<ul style="list-style-type: none"> <li>• LA's are fully bought in to the NZN process through years of engagement – risk of losing buy-in if delivery is outsourced and the messaging/ tone changes</li> <li>• This is a complex programme with many cross-project dependencies. Knowledge and understanding of the complexities exist within Energy Capital and are at risk of being miscommunicated if outsourced.</li> <li>• Not generating capacity within Energy Capital for data – missing from the team and required for making a success of the single funding settlement.</li> </ul>	Y
4.	Delivery of programme with a split between capital and revenue spend	<ul style="list-style-type: none"> <li>• Best balance between generating outcomes for residents and delivering on the technical components required to actualise the regional fund.</li> </ul>	<ul style="list-style-type: none"> <li>• Role of programme manager becomes more difficult – having to simultaneously manage 5 retrofit/ regeneration delivery projects and research/ theoretical work</li> </ul>	Y

5.	Delivery of the programme focusing capital spend on 1 or 2 neighbourhoods	<ul style="list-style-type: none"> <li>• Capital funding will stretch further, allowing full retrofits rather than installation of lower impact measures</li> <li>• Easier to manage a smaller cohort of projects</li> <li>• Likelihood of delays in onboarding are reduced</li> <li>• Easier procurement processes</li> <li>• Revenue spend is reduced (only funding 2 FTE positions in the LA's).</li> </ul>	<ul style="list-style-type: none"> <li>• Significant risk of reputational damage with the cohort of LA's by moving to a competitive process</li> <li>• Each NZN area is different and will generate different outcomes – loses the opportunity to measure these.</li> <li>• More difficult to meet DESNZ requirement to deliver on transport, building decarbonisation and energy systems.</li> </ul>	Y
6.	Delivery of the programme focusing capital spend on 5 neighbourhoods (full cohort)	<ul style="list-style-type: none"> <li>• Greater potential to deliver a wider range of outcomes.</li> <li>• Greater potential to investigate the intersectionality of outcomes.</li> <li>• Maintains buy-in from all our LA partners</li> <li>• Can test multiple delivery mechanisms, generating learnings to help inform the wider NZN programme.</li> <li>• Cohort approach encourages collaboration and sharing lessons between LA partners.</li> <li>• Easier to meet DESNZ requirement to deliver on transport, building decarbonisation and energy systems.</li> </ul>	<ul style="list-style-type: none"> <li>• Difficult to deliver more than simple measures in homes – risk that we generate buy-in within the neighbourhoods and the 'prize' is insufficient for residents to be satisfied.</li> <li>• Project management of 5 concurrent delivery projects will be challenging.</li> </ul>	Y

		<ul style="list-style-type: none"> <li>Add clauses to the grant agreements to claw back allocated funding in case of significant delays, mitigating delivery risks and only possible with the larger cohort.</li> </ul>		
7.	<p>Delivery of the programme focusing capital spend on 5 neighbourhoods (full cohort), while continually seeking additional funding to expand programme scope. These additional funding sources could include:</p> <p>Partner organisation match funding</p> <p>Additional grant funding (e.g. SHDF funding for retrofit assessments/ measures)</p> <p>Spend of early investment into the fund</p>	<p><b>As above plus:</b></p> <ul style="list-style-type: none"> <li>Clear pathways for additional capital spend are mapped.</li> <li>LA partners have expressed readiness to receive more capital funding for NZN delivery.</li> <li>Able to offer more to residents – helps generate buy-in and therefore more likely to collect sufficient data to evidence outcomes.</li> <li>Offering a greater range of measures to residents will allow us to investigate a wider range of outcome-generating measures.</li> </ul>	<p>As above plus:</p> <ul style="list-style-type: none"> <li>May require programme change requests for significant increases to programme scope.</li> <li>May need legal teams to review grant agreements to account for increases in scope.</li> <li>May require additional rounds of procurement.</li> <li>Depending on when funding is announced, there may be insufficient time to spend before the project ends. Reputational risk of an underspend.</li> </ul>	Y
8.	<p>Not accepting the funding</p> <p>N.B. The WMCA was asked to decide prior to the PBC being developed if we were prepared to accept this funding in principle so that it could be announced by Government. We were also required to withdraw from the Innovate UK funding competition that we had been successful in with Project</p>	<ul style="list-style-type: none"> <li>SMART Hub team can continue focusing on existing programmes of work</li> </ul>	<ul style="list-style-type: none"> <li>Political and reputational risk with DESNZ, LA's and private sector organisations briefed on the programme.</li> <li>Loses opportunity to potentially unlock significant funding streams for Net Zero projects in the region.</li> </ul>	N

<p>CAMPOS, in order to be able to accept this greater sum of money, as DESNZ was the ultimate funder of both streams. The Executive Director for SENZ, CEO, Mayor and S151 officer were all consulted during the two week period we had to make this decision and it was agreed that we would withdraw from the Innovate UK competitive process and accept this funding instead. Subsequently the Environment and Energy Board also endorsed this decision.</p>		<ul style="list-style-type: none"> <li>• Continuing with BAU will mean we miss our Net Zero targets for the region.</li> <li>• Loose potential to create capacity within Energy Capital for data expert positions (required to make a better success of the Single Funding Settlement)</li> <li>• Loose our leading trailblazing status</li> </ul>	
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## 2.2 SHORTLISTED OPTIONS

**Describe how proposals for delivering the programme objectives (via projects) have been shortlisted. State the preferred way forward which will progress through to the development of future project business case stages.**

Options have been shortlisted according to their ability to meet the expectations of the funder DESNZ, the WMCA's wider strategic objectives and has been informed by experience from initial pilot projects. DESNZ expects that the programme will help significantly accelerate place-based transitions to Net Zero, taking a holistic, place-based approach. The objective of the programme is to design and develop a pipeline of Net Zero projects for an area, attract a commercial investor at whatever scale we deemed appropriate.

The shortlisted options are: 3, 4, 5, 6 and 7

Option 7 is the preferred option as it is most likely to achieve the objectives set out below and the critical success factors, as it will address all of the primary barriers identified through the WMCA's IUK-funded Project CAMPOS. These barriers are:

- availability of reliable evidence of outcomes (through project data);
- suitability of governance structures to reduce risk to finance providers;
- and the means of consistently engaging communities to develop project opportunities.

Option 7 will:

- develop a pipeline of investable area-based Net Zero projects, building community trust in retrofit projects and showing how demand, and viable investments, can be increased
- develop metrics and key indicators to measure outcomes in a way that meets the needs of funders, and a robust data infrastructure solution, connecting neighbourhood data to project teams and the outcomes market

- establish robust governance structures to manage a regional blended finance fund for retrofit projects, balancing investor and neighbourhood interests to ensure a just transition to Net Zero
- demonstrate willingness from a range of investors to put money into a regional fund for Net Zero projects

DESNZ has indicated that additional funding may become available during the course of the programme, subject to suitable proposals. In this instance, Option 7 would enable us to increase the scope of the programme, however, this additional funding has yet to be confirmed. In addition, Option 7 allows greater flexibility in Net Zero Neighbourhood delivery, where project teams can respond to additional funding as it becomes available, allowing greater investment into their neighbourhoods.

The WMCA and DESNZ will agree outcome targets for the delivery of this project based on this invitation and the proposal received. However, a draft set of outcomes for the programme is set out below:

- Demonstrate a high level of citizen engagement within the demonstration neighbourhoods
- Build a pipeline of Net Zero projects ready for investment (blended finance)
- Reduce local CO<sub>2</sub> emissions
- Establish functioning data infrastructure that allows baseline data and outputs from projects to be captured and assessed and generate outcome reporting for funders
- Funders and finance providers are able to invest in a Regional Net Zero Fund, which is capable of allocating funding to Net Zero projects
- Private sector investors are ready and willing to invest in Regional Net Zero Fund that blends finance.

### 2.3 SOCIAL VALUE FINDINGS

**Detail the calculation of Net Present Social Value (NPSV) and Net Present Social Cost (NPSC) for the shortlisted options. This should also include significant impacts that cannot be quantified or included in the NPSV calculation and indicate how the preferred way forward offers the greatest value for money.**

The objective of the programme is to develop the means for scaling investment into place based Net Zero projects that include retrofit, by designing and developing the infrastructure and the project pipeline to realise this.

The estimated value of the pipeline of just Net Zero Neighbourhood projects this programme will create is around £130million (based on estimated cost of delivering seven 300 home scale Net Zero Neighbourhoods). The set up of the regional fund and alignment with new housing and transport plans and Local Area Energy Planning across the region will result in more higher value energy infrastructure projects to enter the pipeline.

The programme itself holds quantification & measurement of wider system value at its core, and developing the methodology for calculating an accurate social value measurement for money spent on retrofit and Net Zero projects that can allow actual investment decisions to be based on. The social value delivered directly by the programme is relatively limited, but it will put in place the enabling infrastructure for much greater social value to be realised as investment into Net Zero is scaled as a result.

Feasibility work on this concept in May 2023 resulted in the following logic to follow financialization of retrofit related 'outcomes' which is a useful logic to follow generally for Net Zero projects.

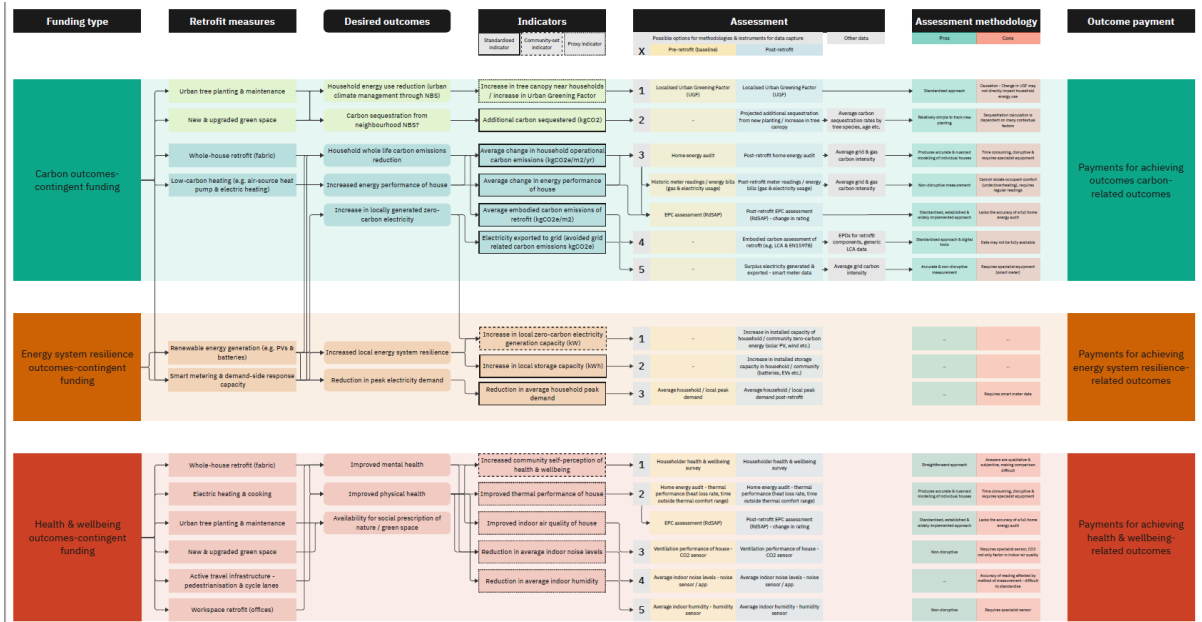


Figure 1: Financialising outcomes (or social value indicators) that result from retrofit projects

The methodology followed for this NPSV calculation involved listing the core benefits this programme is looking to focus on enabling measurement, evidencing and creation of the following Net Zero related benefits resulting from successful investment into the resulting pipeline:

1. Decarbonisation benefits
2. Energy system benefits
3. Energy bill savings (regarded here as a social value benefit)
4. Health benefits

The wider social costs and benefits associated with abating carbon emissions (as is the key focus of the Local Net Zero Accelerator) are diverse but for the purpose of this calculation we shall focus quantitatively on these with commentary on additional qualitative benefits detailed later in the section.

Table 1: Assumptions for NPSV calculation

	Number	Source
Cost of retrofit per home	£23,000	Parity Projects for WMCA 2022
Carbon emissions reduction per home	1.64 tonnes per home	HACT Retrofit Credits (c115 tonnes for 70 homes)
Carbon price per tonne	£108.70	HACT Retrofit Credits (c£25,000 for 115 tonnes over a 20 year period)
Energy system benefit per home	Between £30-£80	Project <b>PIONEER</b> (Average taken and assumed total value over 30 years)

Energy bill savings per home	£1,218	Average energy bill savings for a West Midlands home (gas & electricity)
Health related benefits to NHS per home	£0.42 for every £1 spent	<a href="#">Verco &amp; Cambridge Econometrics</a>  (Also assumed over a 30 year period)
Inflation	5%	Blanket assumption
Discount rate (Carbon, Energy System, Energy Bill Savings)	3.5%	HM Treasury Green Book
Discount rate (Health)	1.5%	HM Treasury Green Book

Note: This programme will cover building the business case for enabling interventions beyond retrofit (and including non-domestic buildings, transport and green spaces) but for the sake of simplicity and minimise the effect of the ‘entangled’ nature of these social outcomes we decided to focus just on the retrofit interventions for the calculation.

Summary of the Net Present Social Value (NPSV) Calculations are below:

<b>Cost</b>	Domestic decarbonisation (1500 homes)	-£	41,934,966
<b>Benefits (over 30 years)</b>	Decarbonisation benefits	£	12,143,014
	Energy system benefits	£	135,093.90
	Energy bill savings	£	81,186,051
	Health benefits	£	68,425,653
<b>NPSV</b>		£	119,954,847

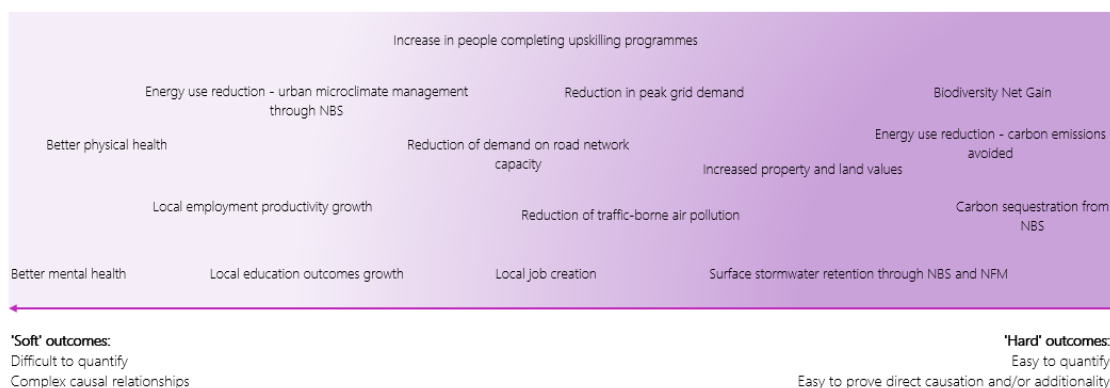


Figure 2: Mapping social benefits associated with retrofit projects

Furthermore, success of Workstream 1 (Net Zero Neighbourhood delivery) will be measured and tracked by indicators determined in Workstream 2 based on the WMCA’s Inclusive Growth Framework Fundamentals that will allow us to evidence not just the benefits listed above but also:

- Creation of better places to live due to better air quality, more green spaces and warmer more comfortable homes

- Increased buy-in from local communities and building awareness of climate change
- Creation of opportunities for local supply chain growth and skills building (creating a workforce that reflect the diversity of the West Midlands)
- Improved employability for people who face additional barriers in the workplace
- Reduced social isolation and support for people with vulnerabilities that may be exaggerated by climate change

### 3 COMMERCIAL CASE

#### COMMERCIALLY VIABLE AND ATTRACTIVE TO THE SUPPLY SIDE

**At PBC stage, the Commercial Case is not expected to be matured. However, the nature of work required to sound out the market and inform the procurement process of the future project business case submissions, should be identified.**

#### 3.1 OVERVIEW OF COMMERCIAL CASE IN SUPPORT OF PREFERRED OPTION

**State the ability of the marketplace to provide the required goods or services and the attractiveness of this proposal to potential service providers. Also include detail on how the respective procurement and legal teams have been consulted with regards to the impact of subsidy control on the project' (including HR/IT personnel implications).**

The programme will be delivered through 5 projects (work packages), originally scoped and successful in applying for Innovate UK's Pathfinder Places Phase 2 funding pot.

<b>WP1A: NZN Delivery</b>			
<b>Description</b>	<b>Responsible party:</b>	<b>Delivered by:</b>	<b>Market requirements</b>
<ul style="list-style-type: none"> <li>• Focuses on generating baseline data on our three key outcomes (carbon savings, health improvements, and energy infrastructure savings) by installs of monitoring equipment in and around the neighbourhoods.</li> <li>• Each LA with a NZN plan will have an opportunity to revisit their plans prior to delivery. Addressing concerns raised that the plans are outdated (originally produced in 2021), while allowing a rescope to include specific focuses on transport, energy systems and/ or building retrofit, to ensure compliance with requirements from DESNZ.</li> </ul>	<p>WMCA: NZN delivery manager</p>	<p>WM LA's</p>	<p>Citizen engagement partners (as required)</p> <p>Retrofit Assessors</p> <p>Home energy monitoring equipment</p> <p>Monitoring equipment (health and transport indicators)</p> <p>Suppliers for light-touch neighbourhood/ retrofit interventions.</p> <p>Consultancy services for</p>



			NZN plan reviews
<b>WP1B: Business Cases and Commercial Modelling</b>			
Detailed commercial models and business cases to be developed for each Net Zero Neighbourhood, producing a pipeline of investable projects ready to receive funding.	Commercial modelling consultancy, with specific knowledge of green finance	Green finance partner subject to procurement	Consultancy services
<b>WP2: Data Infrastructure Development</b>			
<ul style="list-style-type: none"> <li>Establish expert panel on carbon, health and energy systems indicators to advise on suitable metrics to evidence co-benefits generated from place-based Net Zero projects.</li> <li>Procure data infrastructure specialist to inform specifications and exact deliverables required to deliver the data infrastructure requirements to evidence outcomes.</li> <li>Delivery of outputs required to create, test and rollout data infrastructure solution.</li> </ul>	WMCA: WP2 lead (new post)	WMCA: WP2 lead and new energy projects officer	Consultancy services:  Data infrastructure expert  Carbon, health and energy systems indicators experts
<b>WP3A: Governance</b>			
<ul style="list-style-type: none"> <li>Resident engagement to identify suitable community-set indicators</li> <li>Design oversight mechanism for outcomes contracting</li> <li>Design and test neighbourhood-level governance structure with LA's</li> <li>Design high level term sheet for future outcomes contracting</li> <li>Produce playbook for replication</li> </ul>	Governance specialist consultancy	Governance expert partner subject to procurement	Consultancy services
<b>WP3B: Creating the Regional Fund</b>			
<ul style="list-style-type: none"> <li>Seek legal advice on the frameworks required to set up a legally compliant fund.</li> <li>Procure fund design and legal specialists to inform specifications and exact</li> </ul>	WMCA Green finance lead	WMCA: WP3B lead	Legal consultancy services

<p>deliverables required to setup a legally compliant and responsible fund.</p> <ul style="list-style-type: none"> <li>• Draft legal agreements for investors and capital-seeking projects</li> <li>• Setup the fund.</li> </ul>			
<b>WP4: Market Mobilisation</b>			
<ul style="list-style-type: none"> <li>• Market research to identify potential investors</li> <li>• Similar activity on identifying and engaging regional investors</li> <li>• Produce investor propositions, building on business cases developed in WP1b, pitched to outcome-buyers and traditional investors.</li> <li>• Draft commercial agreements with investors</li> </ul>	Green finance specialists	Place-based investment experts subject to procurement	<p>Consultancy services</p> <p>Regional investor expertise</p>

This programme was scoped collaboratively between Energy Capital, Dark Matter Labs, Bankers without Boundaries and Living Places, in application to Innovate UK’s Pathfinder Places programme. As such, consultancy services required to deliver work packages 2, 3, and 4 exist in the market, however due to the change in funding source, this work will need to be allocated through a procurement process.

Where specific consultancy knowledge is required, for example on data infrastructure and the regional investor landscape, letters of support were obtained in the bid writing process to ensure the skills exist in the marketplace to deliver this work.

The retrofit market is fragmented and underdeveloped; as such the capital spend and associated activity in WP1A carries the highest delivery risk in terms of costs and timescales. To mitigate this, soft market testing was conducted during the bid writing stage to prepare the regional market for a large influx of activity. Letters of support were obtained from key regional players to ensure capacity exists to deliver this work. Additionally, for the 5 concurrent retrofit projects undertaken through WP1A, Energy Capital have proposed centrally procuring services common across each LA project. This will aid mobilisation in the LA’s, while allowing greater bargaining power to ensure value for money.

Energy Capital have consulted heavily with internal procurement team to plan mobilisation of this programme and assess options for supporting central procurement on behalf of local authority partners. There will be several large procurement exercises required to deliver this programme, including a mix of revenue and capital spend. As such, procurement specifications and strategies have been drafted in advance of submission of this PBC, with soft market testing conducted during the bid writing phase to ready the market.

We expect to require up to an additional 6 internal hires to support this programme. These appointments and HR arrangements, these will follow standard WMCA processes including development of Job Descriptions, CtE forms and a RAF process, in addition to other standard authorisation processes. The HR team is able to support recruitment of the new roles within its existing capacity and parameters.

### 3.2 OVERVIEW OF THE COMMERCIAL STRATEGY

#### **References the organisations Commercial Strategy and how public value will be achieved through economics of scale.**

We have developed a clear initial understanding of the services, outputs and milestones required for successful delivery of the programme. A separate operational plan will be developed for each work package in partnership with internal and external stakeholders (e.g. LAs) once procurement has concluded to collectively determine realistic deliverables and timescales. To ensure best possible public value, WMCA will be leading work packages 1 and 2, where expertise and capacity will be built within Energy Capital in preparation for receiving further devolved funding for retrofit through the Single Funding Settlement. Through the programme scoping phase (both for the Innovate UK funding bid and subsequent rescope following the DESNZ funding allocation) we have streamlined the programme and each project to ensure there is no duplication between WMCA and the project partners, but also internally across teams at WMCA (i.e aligning with the Local Investment in Natural Capital work from the Environment team, aligning with Inclusive Growth and Research & Intelligence team on data architecture and regional metrics etc).

The Net Zero Neighbourhood Demonstrators specified as part of Work Package 1 also follow a place-based approach that in theory will produce delivery efficiencies for channelling numerous different interventions through the same delivery partners for multiple benefits.

Whilst some of the procurement routes will be determined at a later stage, there is a clear understanding of the overall procurement strategy and initial implementation timescales for potential projects. Supporting payment mechanisms particularly for the devolved grant funding will be developed in more detail as part of the operational plans. As part of this, we will also explore opportunities for economics of scale particularly through programme design. For example, a logic chain will be used to identify where the creative commission element of the programme could also link with the skills & business development part of the programme. This will provide opportunities to maximise public value derived from this investment.

The commercial strategy will regularly reviewed as the programme is delivered.

## 4 FINANCIAL CASE

### AFFORDABLE AND FUNDABLE OVER TIME

Unrounded figures should be used throughout the Financial Case

#### 4.1 CAPITAL AND REVENUE FUNDING STATEMENT

Provide an overview of the proposed funding package to deliver the programme within the table below and include the remaining funding gap (if applicable).

All secured funding identified below should be verified by a written confirmation attached to this PBC with details of any conditions.

	Status (Secured / Not Secured )	£M
<b>Gross Costs</b>	-	£6,200,000
<b>Revenue</b>	Not Secured – awaiting grant agreement	£6,200,000
<b>Capital</b>	N/A	Nil
<b>Development Funding within the above (funding required to reach the next stage)</b>	N/A	N/A
<b>Total</b>		<b>£6,200,000</b>

Funder	Amount	% of Total	Status (Secured / Not Secured)	Details of Funding Status / Timing / Conditions etc.
DESNZ	£6,200,000	100%	Not Secured	TBC – WMCA still negotiating
<b>Total</b>	<b>£6,200,000</b>	<b>100%</b>		

DESNZ has confirmed in writing to WMCA that the funding will be made available as revenue funding. We are expecting this to be allocated in a single tranche via a Section 31 grant agreement, but are waiting for DESNZ to confirm the details of the grant agreement. If funding is not allocated via a Section 31 grant agreement, WMCA will need to claim in arrears on a regular basis and cash flow any up front expenditure. This position will be reviewed once DESNZ have confirmed the terms of the grant agreement.

A detailed budget breakdown for the project has been submitted with this PBC. Budgets are subject to change, but a summary of the draft budget position can be found below. This includes 2% top slice (£124k) for WMCA corporate services recharge, and contingency of

£161k (2.6%) has been provisioned to be allocated as needed. An inflation rate of 3% has been factored into all relevant costs.

	WMCA	External contractors/ consultants	Local authorities	Total
<b>Work package 1 - NZN development</b>	£ 272,415	£ 1,745,176	£ 1,311,262	£3,328,853
<b>WP2 - Data and monitoring</b>	£ 121,022	£ 695,250	£ -	£ 816,272
<b>WP3 - Governance</b>	£ 110,985	£ 608,462	£ -	£ 719,447
<b>WP4 - Market mobilisation and investment</b>	£ 107,752	£ 375,958	£ -	£ 483,710
<b>WP5 - Project Management</b>	£ 623,909	£ 66,736	£ -	£ 690,645
<b>Contingency</b>	£ 161,072	£ -	£ -	£ 161,072
<b>Total</b>	<b>£ 1,397,156</b>	<b>£ 3,491,582</b>	<b>£ 1,311,262</b>	<b>£ 6,200,000</b>

#### 4.2 OVERVIEW OF FUNDING AND AFFORDABILITY SUMMARY

A written summary of the overall affordability of the project and the funding that has been secured to date must be provided. Where there is a shortfall in available funding, provide details of how this will be addressed, and the level of contingency included.

Complete the table below to provide an overview of WMCA funding.

<i>Table 9</i>	
<b>Funding Type</b> <i>Grant / Cashflow (repayable) / Underwrite</i>	<i>Grant</i>
<b>Funding Commencement Date</b>	<i>01/04/2024</i>
<b>Funding Completion Date</b>	<i>31/03/2026</i>
<b>Basis of Reimbursement</b> <i>Quarterly in arrears of expenditure incurred (WMCA Standard)</i>	The terms and conditions of the grant are not yet known. It is assumed that the grant will be paid upfront as a Section 31 grant from DESNZ to WMCA.
<b>Any Conditions Precedent?</b> <i>e.g., securing DfT funding. Include any spend deadlines, eligible spend outputs and</i>	The terms and conditions of the grant are not yet known.

<p><i>high priority items likely to be included in any Conditional Grant offers or development agreements in principle (Heads of Terms)</i></p>	
<p><b>Order in which WMCA Funding is to be drawn</b> <i>1<sup>st</sup>/2<sup>nd</sup>/3<sup>rd</sup></i></p>	<p>WMCA will be the sole recipient of the grant funding and will allocate funding to delivery partners for each workstream as necessary via the appropriate grant agreement or contract.</p> <p>Partners will include local authorities and external contractors and consultants. The local authorities are Birmingham, Sandwell, Solihull, Walsall and Wolverhampton. The external contractors and consultants will need to be procured.</p>
<p><b>Work streams for which WMCA Funding is available to be drawn against</b> <i>e.g., all / workstream 1, 3 and 4 etc.</i></p>	<p>WMCA will be able to draw down funding to cover its costs against each of the five workstreams. The budgeted costs also include for a 2% corporate services recharge and a contingency of £161k.</p>

#### 4.3 BORROWING SUMMARY

**Please state if any element of the programme costs is to be financed by borrowing.**  
None.

#### 4.4 IMPACT ON ORGANISATIONAL FINANCES

**The impact on the organisation’s balance sheet and income and expenditure account must be explained. This includes depreciation, impairment, and any contingent liabilities or capital changes.**

WMCA anticipates receipt of revenue grant funding from DESNZ during Q4 23/24 as a Section 31 grant, although this has not been confirmed, nor has WMCA received any associated terms and conditions of this award. WMCA expects that this will be confirmed by the time this Business Case is formally reviewed for approval at the Board meeting on 18<sup>th</sup> March 2024. We do not anticipate that WMCA will incur any incremental costs in advance of the signing the grant agreement; we expect officer time and corporate services (legal, finance and procurement), to be covered by existing budgets and the eventual 2% corporate services recharge.

If WMCA is required to claim for grant costs in arrears on a monthly or quarterly basis, the project team will consult with the finance business partner and finance colleagues to ensure that the appropriate management plans are in place to manage the grant claim process and that any risks associated with cash flow and expenditure are fully understood and mitigated appropriately.

The funding is revenue funding, although a small amount of this funding may be capitalised for the installation of retrofit monitoring equipment and measures in some homes. Where measures are installed, the owner of the property will be in effect gifted these, and will be responsible for ongoing maintenance of the measures. Where monitoring equipment is

installed, this will either be removed at the end of the project, or – subject to budget and data infrastructure – kept in place.

#### 4.5 STAKEHOLDER SUPPORT

Evidence of stakeholder support must be provided where other public sector organisations are funding the programme's outputs and services.

- CAMPOS phase 1 successfully completed June 2023, public dissemination of the outcomes and open access final report
- Ongoing consultation with members of the NZN cohort (7 member Local Authorities) through the regular NZN Working Group throughout delivery of CAMPOS Phase 1 and application for Phase 2
- Consultation with DESNZ on 6 November regarding funding opportunity and various dates thereafter
- DESNZ offer letter issued 09 Nov 2023
- CAMPOS phase 2 bid successfully won but declined in favour of accepting Local Net Zero Accelerator funding (which were deemed non-compatible). Innovate UK as key stakeholders were aware of the decision making process.
- Consultation with various WMCA directorates including SENZ, Investment and Mayors office
- Consultation with potential project partners as defined in original CAMPOS project on 18 December 2023
- Consultation with Environment and Energy Board 21 December 2023

## 5 MANAGEMENT CASE

### *CAN BE DELIVERED SUCCESSFULLY BY THE ORGANISATION AND ITS PARTNERS*

#### 5.1 MANAGEMENT AND GOVERNANCE

**Provide an overview of the necessary management and governance arrangements both in the delivery phase and in operation i.e., include detail on:**

- **Governance and decision-making arrangements**
- **Change management arrangements (inc. reference to WMCA Change Process)**
- **Benefits realisation arrangements and plans, including benefits register**
- **Contract management arrangements**
- **Post evaluation arrangements**

The Governance requirements as set out in WMCA's Single Assurance Framework (SAF), and in any grant conditions applied by DESNZ, will be adhered to throughout the process. The Environment and Energy Board have already been briefed and have accepted the aims and objectives of the programme.

The delivery process, particularly around energy systems interventions and investor market mobilisation will be informed by the expert advisory Energy Capital Board.

As part of a cohort of combined authorities delivering Net Zero Accelerators, we will report to a programme delivery board chaired by South East Net Zero Hub, who have been designated to manage programme assurance on behalf of DESNZ.

Within the WMCA, an internal advisory panel and programme board will be established. Membership of the advisory panel will include representatives from the Inclusive Growth Team, Equalities Team, Environment Team, Health Team, and the Communities Team, among others. Membership of the programme board will include SENZ senior leadership, representatives from Appraisals and Finance teams, TfWM, and the Midlands Net Zero Hub. These meetings will follow the format of the monthly Retrofit Delivery panels, which have been singled out within the WMCA as best practice for accountability and reporting.

A comprehensive decision-making protocol has been established between Energy Capital, Dudley MBC and EQUANS, for delivery of the Brockmoor Net Zero Neighbourhood (this has been attached as an Additional Appendix for reference). This will be replicated for the other LA's delivering Net Zero Neighbourhoods through Work Package 1A, and their respective delivery teams.

The directorate comply with the requirements for SAF, with regular meetings to be scheduled with the assurance team to review the programme activity register and to ensure team members are completing and progressing projects or programmes through the necessary governance aligned to this, including SAF Appraisal Panel and Investment or Full Board.

The dedicated programme delivery team, working together with WMCA senior leadership, will monitor performance against contracts and change requests will be managed in line with WMCA SAF processes, as outlined on WMCA intranet: [WMCASAF Change Control Process v2.0](#). Each project will be expected to manage individual change requests, with a programme change request submitted through the SAF process for project changes that



impact delivery of the wider programme. Change request forms have been prepared in advance of programme initiation.

A detailed [benefits map](#) has been developed as part of Project CAMPOS Phase 1, mapping the wider benefits derived from place-based decarbonisation projects (this has been included as part of Appendix 1). Note that accurately measuring, recording and evidencing delivery of these benefits is crucial to mobilising the outcome-buying market and as such, significant project resource has been allocated to identifying the metrics required to show change, and develop the infrastructure required to communicate them (WP2).

Contracts will be managed at the Programme Management level to ensure all delivery partners, contractors and sub-contractors are adhering to signed specifications and agreed deliverables. Overall responsibility for this sits with the SRO and the Programme Manager.

As this programme looks to set up a permanent monitoring and evaluation framework that will stay in place and provide value to the WMCA and Energy Capital long after the end of the programme, post evaluation arrangements have been scoped into the delivery plan from the outset as part of Work Package 2. It will require any new projects funded by Energy Capital or delivered by Energy Capital to fit into the built data architecture and report on the indicators specified as part of this programme.

Considering Birmingham City Council's recent Section 114 notice, the programme team have been in regular contact with BCC's project lead, to assess their capacity to deliver as part of the wider programme. Collaboration agreements between BCC and the University of Birmingham (UoB) will allow project activity in Birmingham to commence, with grant funding being awarded directly to UoB, a key project partner for the Castle Vale Net Zero Neighbourhood. Precedent for this approach exists, with UoB delivering the WM-Air project, on behalf of, and in collaboration with BCC.

The WMCA legal team have been sighted of this proposal, with existing collaboration agreements between UoB and BCC under review. BCC involvement in the LNZA programme will be dependant on sign-off from the WMCA legal team. If sign-off is not granted, funding allocated to BCC will be redistributed among the remaining local authorities, mitigating the risk of their non-involvement.

## 5.2 PROGRAMME SCHEDULE FOR DELIVERY

**List key programme milestones below including project start and end. The information provided should align with the Programme Schedule attached with this PBC.**

**The key project milestones table below is a summary of those key milestones aligned to the Programme Schedule, which must be appended to this PBC. Include dates for future business case submissions (i.e., individual projects) and a longstop date by which all monies for this programme will be drawn**

<i>Table 11</i>			
#	Milestone	Start Date	End Date

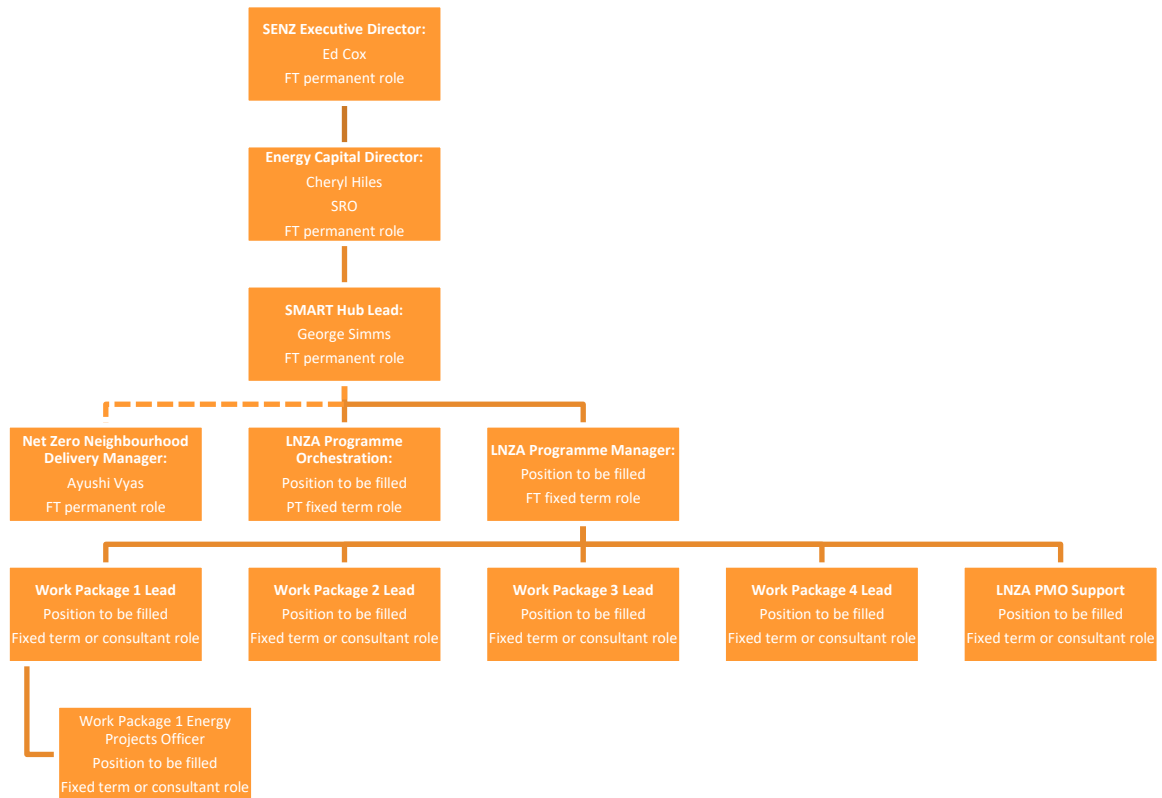
1.	WMCA programme delivery team in place	April-24	June-24
2.	Procurement complete (WP lead partners and additional subcontractors)	April-24	June-24
3.	Net Zero Neighbourhood resident engagement and retrofit assessments	Nov-24	May-25
4.	Net Zero Neighbourhood delivery and post-measure monitoring	Jun-25	Feb-26
5.	Business case development for 5 Net Zero Neighbourhoods	Feb-25	May-25
6.	Co-benefits (outcomes) deep-dives to identify suitable metrics for reporting	Aug-24	Nov-24
7.	Develop data infrastructure for reporting co-benefits	Nov-24	May-25
8.	Develop governance structure for regional fund	Apr-24	Nov-24
9.	Setup regional fund and secure investors	Dec-24	Jan-26
10.	Mobilise regional outcome buying market and produce draft commercial agreements with investors	Apr-24	Jul-25
11.	Key projects completed		Feb-26
12.	Evaluation completed		Mar-26

### 5.3 PROGRAMME TEAM ORGANOGRAM

Insert a Programme Organogram which distinguishes between full-time, part-time and fixed term staff. A Senior Responsible Owner (SRO) should be appointed and identified in the organogram

This structure is part of the wider SINZ organisational structure, please visit: [Visio-Strategy, Integration and Net Zero.vsd \(wmca.org.uk\)](#)

[For a more detailed diagram, showing the roles of subcontractors and highlighting where cross-work package collaboration is required, see here: https://miro.com/app/board/uXjVN9FxBtY=/](#)



#### 5.4 PROGRAMME DELIVERY ROLES AND RESPONSIBILITIES

Classify the roles and tasks to determine who is Responsible ( R ) , Accountable ( A ) , Consulted ( C ) and Informed ( I ).

*Table 12*

	Director SENZ	Director, Energy Capital (SRO)	SMART Hub Lead	Net Zero Neighbourhood delivery manager	Programme manager	Work package leads
Drafting and execution of grant agreements	A	A	A	C	R	R
Procurement of external contractors	I	A	A	C	R	R
Delivery of NZN demonstrators (WP1)	A	A	A	R	R	R
Design and development of data infrastructure (WP2)	I	A	A	C	R	R
Design and development of governance infrastructure (WP3)	A	A	A	C	R	R
Engagement with finance providers (WP4)	I	A	A	C	R	R
Reporting to DESNZ and project boards	A	R	R	R	R	R

Note that the table above other WMCA officers will need to be consulted, involved and take shared responsibility for the design and delivery of the various work packages. For example, Work Package 2 (data and monitoring infrastructure) will need input from the WMCA's data protection officer and digital and data team. Work Packages 3 and 4 will need responsibility for the regional fund to be shared with the finance team.

#### 5.5 USE OF SPECIALIST ADVISERS

Specify what support and SME advice is required from outside the project team. Include both resources inside your organisation (e.g., legal and finance) and those outside (e.g., technical consultants)

The project will require WMCA to appoint a number of external consultants and contractors to deliver elements of each work package. The exact procurement approach is to be confirmed, and WMCA may choose to combine separate elements into a single procurement where

appropriate. The table below summarises the external contracts that we anticipate will be necessary to deliver the programme outcomes.

Legal, finance and procurement advice from inside WMCA will be needed to support the procurement, contracting and delivery of these elements, and other elements within the WMCA will also need to be consulted on different programme elements.

<b>Work package</b>	<b>Requirement</b>	<b>Input needed</b>
<b>WP1 – NZN demonstrators</b>	Feasibility studies	Specialist consultant
	Retrofit assessments	Accredited contractor
	Community engagement and marketing	Specialist consultant
	Monitoring equipment installation	Specialist contractor
	Measure installation	Specialist contractor
<b>WP2 – data and monitoring</b>	Data architect	Specialist consultant
	Data infrastructure developer	Specialist contractor(s)
	Data infrastructure design input	WMCA Inclusive Growth Team, Environment Team, Digital and Data Team, Data Protection Officer
	Business case development	Specialist consultant  WMCA Commercial and Investment Team
	Financial modelling	External specialist to provide guidance to WMCA officers undertaking work
<b>WP3A – Governance</b>	Governance structure design	Specialist consultant
	Governance structure implementation	Specialist consultant and legal support
	Governance structure design and delivery input	WMCA Finance Team  WMCA legal team
	Legal and contractual support	Specialist consultant

<b>WP3B – Fund Setup</b>	Fund design support	Specialist consultant  WMCA Finance Team
<b>WP4 – market mobilisation</b>	Finance provider engagement and mobilisation	Specialist consultant
<b>WP5 – programme management</b>	All procurement and contracting	WMCA finance, legal and procurement teams
	Programme orchestration	Specialist consultant

## 5.6 CHANGE AND CONTRACT MANAGEMENT ARRANGEMENTS

**Explain how contracts and changes will be managed. The information provided should align with the Change Strategy attached with this PBC.**

Contracts will be managed through the dedicated WMCA delivery team, in consultation with WMCA’s legal, procurement, finance, HR and SAF teams. WMCA as an organisation already has substantial experience in managing delivery programmes of similar size. The more detailed operational plan for the programme will also consider aspects relating to contract management, together with managing relating risks and timelines. WMCA will hold all contracts, although as part of the double devolved grants, LA’s may choose to use their own contractual arrangements but within the allowed framework. For the LA grants, a Programme and Project Delivery Schedule will be created to confirm project interventions, outputs and outcomes for each Local Authority in line with the programme plan. This will include a deliverables matrix and details of the investment breakdown.

Any change requests will be managed according to WMCA’s SAF processes, as outlined on WMCA internal website: [WMCASAF Change Control Process v2.0.](#)

This will include the requirement for any programme partners to submit a SAF change request form in case there are any material changes to their deliverables, outcomes, budget or timelines.

Any changes would be managed in line with programme level tolerances providing some flexibilities, although at the same time ensuring effective overarching deliver against agreed outputs and outcomes. This would also include ensuring financial and other compliance.

Contracts and change management will also be monitored through regular delivery team updates and progress review meetings.

## 5.7 RISK AND ISSUE MANAGEMENT

**State how risk is managed and confirm that the risk register is an integral part of programme management meetings. The information provided should align to both the Risk Management Strategy and Risk Register and Issue Log attached with this PBC.**

Risks will be managed through a specific Risk Management Strategy together with a Risk Register and Issue Log (see Appendices 2 & 4 both of which are based on the delivery of the

existing Brockmoor NZN). The main responsibility for risk management will be with the SRO, although each delivery team member will need to have an oversight of any risks relating to their delivery area. This will include risks relating to all parts of the programme management such as performance, compliance, financial management, service provision and changes in external/internal operating environment.

The current risk register includes risks relating to:

- Government delays – linking to any potential issues relating to delays in receiving funds
- Issues with recruitment of delivery team
- Inflation and budgeting risks
- Services risks
- Design issues in relation to delivery planning of work package 1
- Competency based risks for delivery team
- Unexpected external factors
- Reputational risk associated with non-delivery of programme

The biggest specific risks associated with the successful delivery of this programme and their proposed mitigations from this list are detailed below:

1. Availability of the appropriate resource within internal legal, procurement and HR teams to ensure a timely mobilisation phase. This is currently being managed by actively engaging all relevant internal teams and escalating accordingly based on incoming resource impacts as well as creating detailed specifications where possible. Due to the innovative nature of this programme, a collaborative working mindset with all internal teams will be required.
2. Timely agreement of procurement contracts and onboarding of delivery partners. Due to the NZN delivery projects in WP1 being first of a kind, there is a risk that agreeing contracts and subsequent delivery models will involve complexity and therefore take time. Experience with the Brockmoor NZN has resulted in existing contractual agreements between WMCA, local authorities, between local authorities and their onward delivery partners and has given early insight into the sticking points likely to cause delays. These have been captured in issues and lessons log so that re-occurrence in this programme can be appropriately mitigated.

Risks will be regularly reviewed and updated as delivery design for each Work Package is confirmed, procurement contracts are confirmed and partners onboarded. Regular meetings and progress reviews will form a key part of the activities of the programme delivery team. These will include reviewing each risk and considering any new ones, as well as consider any mitigations that could be implemented in relation to live risks. Risks that are no longer relevant will be closed.

Risks relating to procured contracts and double devolved funds will be managed through contractual arrangements, templates and regular reporting requirements. Risk strategy will include clear routes for escalation as per WMCA's organisational processes as well as considerations for legal obligations. SENZ Directorate does currently not have a Directorate level risk register but there are plans to create one soon. Once this is done, the SRO would also be responsible for ensuring relevant risks get added to this register.

The delivery team recognises that effective risk management supports the achievement of wider aims, such as:

- Effective change management
- The efficient use of resources
- Better programme and project management
- Minimising waste and fraud
- Innovation

## 5.8 PROGRAMME ASSURANCE

**Set out the arrangements for programme assurance, including the use of Cabinet Office Gateway Reviews. Other sources of assurance should be considered: technical, quality etc. Specify the probable timescales for undertaking project implementation and post evaluation reviews.**

A detailed organogram for the programme has been created to ensure team structure, reporting lines and clear accountability is in place. As part of this structure there are several routes that provide overall programme assurance.

This Local Net Zero Accelerator Programme is part of a cohort of combined authorities, we will report to a Programme Delivery Board chaired by South East Net Zero Hub, who have been procured to manage programme assurance on behalf of DESNZ (who will sit on the board as project funder).

Within the WMCA, an internal advisory panel and Programme Board will be established. Membership of the advisory panel will include representatives from the Inclusive Growth Team, Equalities Team, Environment Team, Health Team, and the Communities Team, among others. Membership of the programme board will include SENZ senior leadership, representatives from Appraisals and Finance teams, TfWM, and the Midlands Net Zero Hub. These meetings will follow the format of the monthly Retrofit Delivery panels, which have been singled out within the WMCA as best practice for accountability and reporting.

In addition, separate cross-partner meetings will be organised with relevant stakeholders through existing infrastructure (further information is detailed in Appendix 4 showing all stakeholders to the programme). These include the Net Zero Neighbourhood Working Group, membership to the National Retrofit Working Group, the SLES Investor Panel and various others.

Specific learnings and lessons around NZN delivery will be reported on a 6 weekly basis to the Net Zero Neighbourhoods Working Group whose membership includes all West Midlands NZNs as cohort members as well as other NZNs across the region.

The programme also contains a detailed Project Management work stream which specifies dedicated work package leads and further LA NZN delivery leads on which recruitment specifications are in progress to determine the right level of skill and experience (understanding that the right mix of skills may not exist and the Programme team will have to spend time helping to develop people into the right roles).

Weekly partner catch ups, monthly reporting and quarterly all Work Package meetings have been included on Appendix 5.

Any planned audits by DESNZ as the funding entity are not yet known.



There will be a 3 month programme close down at the end of the programme which will include a transitional phase into BAU where any IP, data architecture and ongoing monitoring and evaluation will be handed over to permanent members of the WMCA team to take on as additional capabilities. This process will be essential to the success of the programme after March 2026 and into the devolved funding period.

Post-evaluation will focus on the SMART objectives set for the overall programme, together with the measures outlined in the bespoke evaluation framework. These will be monitored through the weekly team meetings as well as at internal Project Board reviews. A Project Implementation Review (PIR) and a Post Evaluation Review (PER) will be taken jointly.

## 5.9 CONTINGENCY ARRANGEMENTS

### **Set out the contingency plans in the event of any delays or disruptions to anticipated services.**

Each delivery strand budget will include a 5% contingency element that is built into the programme and not expended until a point when the outcomes and outputs from the delivery strand are secured, with no need for mitigating steps identified. This will be monitored through the Programme Board and team meetings. Where more significant changes are identified due to e.g. unexpected external factors, this would trigger a change request approved by the Programme Board and then following the normal WMCA SAF processes: [WMCASAF Change Control Process v2.0](#)

Project timelines include contingencies to up to 6 weeks to mitigate against any service related risks or changes. Again, these will be monitored through the assurance processes and significant changes will be taken through the WMCA Change Control Process.

Proceeding with a cohort of 5 Net Zero Neighbourhoods allows reallocation of budget and resource in the event of significant delays or disruptions, de-risking delivery of WP1A. The grant agreements between the WMCA and Local Authorities will be developed to include clawback clauses to account for this.

Government is also procuring separate finance support for this programme which will provide additional contingency for areas that we are unsure of the likely cost and complexity of relating to the set up of the fund itself and ensuring its replicability.

Overall, these factors will be monitored through the programme assurance and risk monitoring processes.

## 5.10 LESSONS LEARNT

Detail how Lessons Learnt have been considered during the development of this proposal and plans for capturing Lessons Learnt during this programme.

Lessons learnt from previously completed relevant programmes have been considered through:

- Learning from the delivery of the first ever Net Zero Neighbourhood project in Brockmoor, which is currently in Month 3 of delivery following a lengthy process to agree contracts between WMCA, Dudley MBC and their onward delivery partners. Lessons have been captured in a Lessons Learnt log (which features as part of Appendix 3.2). The creation of the Net Zero Neighbourhoods working group has

- allowed the delivery of this project to remain accountable to other members of the Net Zero Neighbourhoods cohort to whom regular updates are given through this meeting.
- Learning from the delivery of the 3 month Phase 1 feasibility of Project CAMPOS which involved building relationships with relevant project partners with the correct expertise for this programme. An open and collaborative working culture was set up to address the innovative nature of the work to ensure complexity, risk and scope creep were being managed constantly. Lessons learned were captured at the end of the project through a project close workshop that has been recorded on [Miro](#).
  - Learning from the delivery of various government funded retrofit programmes such as SHDF, Sustainable Warmth Competition and Home Upgrade Grant programme. These projects have created a wealth of data and insights on the real challenges of trying to make retrofit and Net Zero relevant to people in the West Midlands. It has also allowed for the retrofit assessment and installation process and associated customer journey to be scrutinized in detail for where things can be done differently given the flexibility of the funder.
  - Learning from the delivery of the Prospering for the Energy Revolution project Zero Carbon Rugeley which covered in great detail the theoretical design of a Smart Local Energy System for Rugeley town. It covered the same challenges as Net Zero Neighbourhoods at a larger scale with a heavy focus on the local energy system which set excellent context for this programme in terms of local governance structures and funding entities which we will be building on in Work Package 3.
  - Learning from the delivery of the Prospering for the Energy Revolution project Regional Energy System Operator which looked at the theoretical governance structure of a regional energy system operator which would greatly enable a huge amount of energy system and decarbonisation innovation.

Ongoing lessons learnt during delivery will be captured through monitoring and programme team meetings, individual work package meetings, fed up into the Project Board and the Programme board as well as evaluation for the whole programme.

A lessons learnt/ issues log will be developed for the programme building on our existing lessons learnt log from the Brockmoor NZN project. Transparency and honesty will be key principles to ensure that delivery partners are sharing issues and solutions throughout the Programme especially in Work Package 1 where there is a cohort of 5 NZNs that will all need to learn from each other and work together for success and efficiency.

## 5.11 MONITORING AND EVALUATION

**Set out a summary of the outline Monitoring Evaluation arrangements for the programme and milestones leading to Programme Evaluation.**

**Include detail on the following:**

- **Do you have an initial idea how performance will be measured? – Indicator/metrics**
- **How does previous M&E learning inform the driving policy and or the project/programme?**
- **Do you have an initial estimate of budget & resources for M&E (note, this should align to the financial case)?**

The programme will be evaluated through a specially designed evaluation framework based on the WMCA corporate M&E framework template, which will track achievement of KPIs and milestones. This will align with the programme and workstream goals developed by the project team and to be approved by local and national programme boards. The table below provides a draft evaluation framework:

Work Package	Outcome	Evaluation type/approach
WP1	High level of citizen engagement within the neighbourhoods	KPI: number of homes signed up for retrofit assessments and home monitoring packages (%ge of homes in area)  KPI: %ge of customers providing positive feedback on programme
	NZN demonstrator projects are ready for investment (grant funding or finance)	KPI: number of retrofit assessments and medium term improvement plans completed, providing costs and likely benefits  KPI: number of functioning monitoring systems installed and providing data for business case  KPI: Value of pipeline of Net Zero projects identified through regional fund (£)  Milestone: Business cases for five NZN areas complete, including detailed breakdown of costs and benefits for both domestic retrofit and wider Net Zero investments (%)
	Reduced local CO <sub>2</sub> emissions	KPI: reduction in carbon emissions from participating homes, evidenced through deemed savings or real world measurement from measures installed and behavioural change
WP2	Functioning data infrastructure that allows baseline data and outputs from projects to be captured and assessed and generate outcome reporting for funders	Milestone: procurement of data architect and data delivery partners complete (%)  Milestone: design for data infrastructure arrangements completed (%)  Milestone: data infrastructure development completed (%)
WP3	Funders and finance providers are able to invest in a Regional Net Zero Fund, which had the ability to allocate funding	Milestone: procurement of governance design partners complete (%)  Milestone: design for governance arrangements completed (%)  Milestone: procurement of governance infrastructure partners complete (%)  Milestone: fund is active - development and governance arrangements complete (%)  Milestone: data infrastructure development completed (%)
WP4	Private sector investors will be ready and willing to invest in Regional Net Zero Fund	Milestone: procurement of finance sector engagement delivery partners complete (%)  Milestone: finance sector engagement strategy complete (%)

		<p>Milestone: finance sector engagement complete complete (%)</p> <p>KPI: Number of investors signing agreements or heads of terms to commit funding to Regional Net Zero Fund</p> <p>KPI: Quantum of funding raised for Regional Fund or committed through heads of terms (£)</p>
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The evaluation framework will be embedded into delivery, procurement and grant contracts as applicable and will be conditions for any devolved funding and progress will be monitored through monthly project team meetings and by local and national programme boards. The project team will also maintain a lessons learned log to capture what has and hasn't worked well. Work package leads will be responsible for monitoring and evaluation on a project level, with the programme manager holding responsibility for programme-level monitoring and evaluation.

The above will be developed into a coherent evaluation framework which will consider both qualitative and quantitative metrics and approaches.

A robust process will be created for monitoring the activity, particularly where funding is double devolved to local authorities. Specific monitoring & evaluation return forms will be created for double devolved grants, and modelled on reporting arrangements developed by the Energy Capital Team for the Brockmoor NZN demonstrator. The Energy Capital team has extensive experience in running grant programmes and monitoring delivery of complex programmes. The monitoring and evaluation framework(s) will be developed during the programme mobilisation phase, and at latest in advance of the first monthly reporting meeting.

A budget of £40,000 is specifically set aside towards evaluation, with programme level contingency potentially also providing for additional evaluation activity.

**MANDATORY APPENDICES REQUIRED FOR THIS PBC**

The following documents must be appended to this PBC:

<b>APPENDIX</b>	<b>PROVIDED (Y/N)</b>
Appendix 1 - Theory of Change_Benefits Plan	<b>Y</b>
Appendix 2 - Risk Management Strategy NZA PBC	<b>Y</b>
Appendix 3.1 - Risk Register	<b>Y</b>
Appendix 3.2 - Issue Log	<b>Y</b>
Appendix 4 - Stakeholder & Communications Strategy	<b>Y</b>
Appendix 5 - Programme Gantt Chart	<b>Y</b>
Appendix 6 - Change management strategy NZA PBC	<b>Y</b>
7. If Investment Programme, Project Delivery Plan on a Page (POAP)	<b>N</b>
If CRSTS, DfT Additional Appendix	<b>N</b>
Confirmed funding details	<b>Y</b>
Additional Appendix - NZN Decision Making Protocol	<b>Y</b>