

## Greater Manchester Combined Authority

Date: 23 February 2024

Subject: Net Zero Accelerator Funding

Report of: Councillor Ross, Portfolio Lead for Green City Region and Sue Johnson,  
Portfolio Lead Chief Executive for Green City Region

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### **Purpose of Report:**

The purpose of this paper is to provide an update on a recent unsuccessful bid for Innovate UK Pathfinder funding and the alternate opportunity to deliver a Net Zero Accelerator in Greater Manchester.

### **Recommendations:**

The GMCA is requested to:

1. Note the update on Innovate UK funding and the opportunity to deliver a Net Zero Accelerator.
2. Approve GMCA submitting a business case and acting as the accountable body for a circa £6-7m award from Department of Energy Security and Net Zero (DESNZ) potentially via Cambridge and Peterborough Combined Authority, with delegated authority to the Lead Portfolio holder, Chief Executive and Treasurer to finalise the business case, receive and defray funding if successful.

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## Equalities Impact, Carbon and Sustainability Assessment:

### Impacts

### Questionnaire

Impact Indicator	Result	Justification/Mitigation
Equality and Inclusion	G	<p>The Net Zero Accelerator aims to accelerate the deployment of low carbon measures across the region, which may lead to increased benefits for residents e.g. increased air quality, mitigated energy costs etc</p> <p>The aim of the LAEP is to inform all walks of life from policy makers to communities</p>
Health		
Resilience and Adaptation	G	<p>Accelerated transition towards carbon neutrality will ensure a more resilient and prosperous city region</p> <p>The proposal seeks to reduce the environmental impact of our city regions communities, buildings and businesses.</p>
Housing	G	<p>The Net Zero Accelerator, if implemented, will support the affordability through the lens of running costs</p> <p>It identifies areas of land that could be used to support renewable generation, where growth is not an option</p> <p>It identifies the scale and priority areas for retrofitting of energy efficiency measures</p>
Economy	G	<p>The Net Zero Accelerator, if implemented, would accelerate the wider regional requirements of cr£65bn of investment including BAU across the region, potentially supporting local jobs</p>
Mobility and Connectivity	G	<p>The deployment of the required low carbon technologies will require enhanced connectivity and smart operation e.g. Demand Side Response / flexible service provision. The LAEP requires increased smart EV charging infrastructure to support our transition</p>

Carbon, Nature and Environment	G	The implementation of energy efficiency measures and removal of gas boilers and replacing with other forms of low-carbon heating would reduce emissions associated with heating and powering our buildings The LAEP, if implemented will reduce the CO2 emissions as a result of direct interventions
Consumption and Production		
Contribution to achieving the GM Carbon Neutral 2038 target		The LAEP provides a clear pathway to meeting carbon neutrality in 2038 from a low carbon perspective, when combined with wider environmental projects
<b>Further Assessment(s):</b>		Equalities Impact Assessment and Carbon Assessment

## Carbon

### Assessment

O	Positive impacts overall, whether long or short term.	Mix of positive and negative impacts. Trade-offs to consider.	Mostly negative, with at least one positive aspect. Trade-offs to consider.	Negative impacts overall.
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Buildings	Result	Justification/Mitigation
New Build residential	N/A	
Residential building(s) renovation/maintenance		The Net Zero Accelerator aims to accelerate retrofit of our building stock to a level where the city region can be carbon neutral through: <ul style="list-style-type: none"> <li>- a range of low carbon heating measures to meet our varied need</li> <li>- setting out a fabric first approach as no regret measures</li> <li>- identify priority areas for the deployment of solar PV</li> </ul>
New Build Commercial/Industrial	N/A	
<b>Transport</b>		
Active travel and public transport	N/A	

Roads, Parking and Vehicle Access	N/A	
Access to amenities	N/A	
Vehicle procurement	N/A	
<b>Land Use</b>		
Land use	N/A	

**Risk Management:**

*This paper has been informed by both national and local data sources and/or current policies.*

**Legal Considerations:**

*The legal implications are set out in the report.*

**Financial Consequences – Revenue:**

*The Paper identifies there is no direct revenue implications for the delivery Net Zero Accelerator, if recommendations are approved and actioned. Any subsequent actions requiring funding will be the subject of separate approvals.*

**Financial Consequences – Capital:**

*The Paper identifies £0 financial consequences for current GMCA capital budgets, if recommendations are approved and actioned. Any subsequent actions requiring funding will be the subject of separate approvals.*

**Number of attachments to the report:**

N/A

## **Comments/recommendations from Overview & Scrutiny Committee**

N/A

## **Background Papers**

GMCA Paper – July 2023 - Local Area Energy Plan – Strategic Outline Business Case

## **Tracking/ Process**

Does this report relate to a major strategic decision, as set out in the GMCA Constitution?

Yes

## **Exemption from call in.**

Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?

No

## **GM Transport Committee**

N/A

## **Overview and Scrutiny Committee**

Will be considered in February 2024.

# 1. Background

- 1.1 Greater Manchester ('GM') has set an ambitious target to achieve carbon neutral by 2038. This will require a step-change in both scale and pace of low carbon asset delivery. GM has the track record of delivery of complex and innovative programmes to meet key policy objectives. GM now has a stronger platform to deliver on net zero through the enhanced data, planning and deeper level of devolution planned for 2025.
- 1.2 The GM Local Area Energy Plan (LAEP), a UK regional first, provides a set of suggested geo-spatial interventions for the energy infrastructure changes needed to enable GM to become carbon neutral. As previously reported, the LAEP analysis indicates that the investment required to deliver the 2038 target is:
  - A total investment of circa £64.4bn, which includes 70% business as usual.
  - Excluding business as usual, an investment of circa £19.2bn will be required.
  - Of the £19.2bn required investment, circa£12.5bn is within the local public sector's significant control or influence.
- 1.3 It is this £12.5bn which has formed the scope of the Strategic Outline Business Case ('SOBC'), which has been developed as the next step from the LAEP work.
- 1.4 To deliver this investment, Greater Manchester needs to innovate and simultaneously deliver across the asset classes identified in the LAEP at a neighborhood, District and GM-wide level; and engage innovatively with the private sector market in a range of commercial structures across the lifecycle of delivery.
- 1.5 The SOBC identifies how the region can leverage significant private sector investment in this sector. However, there would be a need for the public sector to go first, giving confidence to the private sector to invest. We are confident that we can create new ways of delivering net zero to match the scale of need at a city region level and, in doing so, can act as a trailblazer in creating approaches and models that can be replicated elsewhere nationally. This will however need a new approach to achieve the ambition.

## **2. Innovate UK Pathfinder Cities Update**

2.1 The Greater Manchester submission into the Innovate UK funding call (see GMCA Paper 'Local Area Energy Plan – Strategic Outline Business Case' (July, 2023)) was focused on the development and delivery of solutions to overcome the non-technical barriers to net zero delivery. The bid included:

- a Regional approach, seeking to develop of the next stage of the SOBC, moving towards an Outline Business Case for the priority areas identified from within the SOBC, to enable an informed programme of activity with particular focus on commercial models;
- a District level pilot in Oldham focused on a District-wide community-based approach; and
- a Neighbourhood-based scheme, integrating different net zero technologies around a unifying development in Manchester City Council's Wythenshawe scheme.

2.2 In November 2023, GMCA was advised that, although Greater Manchester's IUK project scored highly, it was ultimately deemed unsuccessful. However, at the same time, discussions were held with the Department for Energy Security (DESNZ) which subsequently led to an announcement, following the Autumn Statement, that GMCA and West Midlands CA would receive £6-7m funding each to deliver a Net Zero Accelerator as part of the Devolution Trailblazer initiative.

## **3. Net Zero Accelerator Opportunity**

3.1 The £6-7m revenue funding announced for the Net Zero Accelerator will need to drive investment in multiple green projects across key sectors: energy, housing and transport. The pilots will seek to develop a place-based net zero investment strategy and test this with the investment market.

3.2 Councils have faced barriers to attracting private sector investment in smaller net zero programmes and one-off projects. The pilots will be designed to tackle this to secure investment at scale, to deliver a range of green initiatives and expand decarbonisation work in the years to come. The pilots therefore need to develop new finance and delivery models and must lead to projects with increased economic

leverage and support skilled jobs, building out supply chains and growing our economy.

- 3.3 As part of the overall programme there will also be a Local Net Zero Finance Support Service pilot, which will provide expert finance advisory capacity support to GMCA and help with the pilot's development. The overall programme will be administered on behalf of DESNZ by the Greater South-East Local Net Zero Hub (hosted by Cambridge and Peterborough Combined Authority).
- 3.4 It is expected that the pilots will run until March 2026. Grant Funding Agreement details are still to be agreed but it is anticipated that these will be issued prior to Financial Year End 2023. To access the proposed £6-7m funding, GMCA will be required to submit a business case setting out the region's proposed approach.

## 4. Proposed Approach

- 4.1 It is proposed that our Business Case focus remains aligned to the high-level principals set out in the initial £5.4m Innovate UK Pathfinder Cities programme. This would require some rescoping of the originally proposed activities to meet the new funding requirements, however, it is proposed and preferred that it would include the continued support and delivery of a:
- Regional approach to advance the Local Area Energy Plan delivery through the Strategic Outline Business Case (SOBC) work;
  - District led scheme, Oldham Green New Deal model, with Oldham MBC; and.
  - Neighbourhood based scheme in Wythenshawe with Manchester City Council.
- 4.2 As a region, GMCA and Districts have longstanding experience of delivering a range of complex projects. The SOBC highlights the potential to further innovate our current commercial approaches, consider how we may seek to structure future commercial models to reflect the differing delivery phases of project life cycle from concept development, through to construction and then operation.
- 4.3 Our approach will develop a range of co-ordinated and 'fit for purpose' commercial models for delivery, reflecting the types of projects that will deliver across the four asset classes of the SOBC and the models for different scales of delivery (e.g., neighbourhood through to region wide approaches). Given the scale and, range of

asset classes involved, a single all-encompassing commercial model is unlikely to be desirable or achievable.

- 4.4 Through these commercial models, it is proposed GM will seek to leverage as much private capital as possible in the delivery of carbon neutral target. However, it is important to recognise that the nature of the asset classes that the public sector is in control of or can influence directly, is likely to require a significant level of public sector grant funding to achieve viability. Our approach therefore also needs to align with potential low carbon devolved funding from 2025 onwards.
- 4.5 Delivering at the scale and pace required will require strong collaborative working between GMCA and all Districts, as well as sufficient funding and resource to meet the scale of the programme of work required. There is a recognition within the region that there is a need for a step-change in the capacity across the public sector in Greater Manchester to deliver. However, this resource should also act as a catalyst for similar capacity building amongst the private sector who will be fundamental to much of the development and delivery of the net zero projects.
- 4.6 In the short term, we have the opportunity to access revenue funding to develop our approach around some of the focus areas through the Net Zero Accelerator. However, this will not fund all the necessary activity and there will be an additional need for further work to be undertaken in parallel to compliment this.

## **5. Opportunities/risks**

5.1 The key opportunities include:

- Provision of a clear investment strategy and direction to support the acceleration of our pathway to 2038.
- Ensure GM retains its place as a recognised leader in carbon neutral delivery at scale.
- The establishment of an investment pipeline with clear delivery models will provide the market with confidence to develop solutions and infrastructure which support our transition towards carbon neutrality.
- Create more green jobs (employed and or self-employed) from local companies and from inward investors keen to capitalise on GMs leading position.

- Retaining more of the £5bn which leaves the region every year to pay for energy, e.g. the current Public Sector Decarbonisation Schemes results in over £2m of saving per annum and, as energy prices increase, so do the savings.
- Investing in local renewable generation provides long term returns on capital currently ~ 9% pa over the lifetime of the asset. Note, not all of the projects that need to be delivered will generate a return.
- Encourage inward investment, innovation, research, and development in net zero.
- Supports the Business Board to enable SMEs and major industry to rapidly transition to net zero.
- Using public procurement mechanisms to stimulate change (direct and indirect).
- Viewing all our capital, revenue, and other investments through the lens of the Climate Emergency.
- Provides evidence to support concerted and coordinated lobbying of Government and other influencers to effect change outside of our control.

## 5.2 The key risks include:

- Business as Usual is currently failing to meet the region's low carbon ambition.
- The biggest risk we face over the next couple of years is getting back on track for 2038 and then remaining on track as measures become harder to achieve.
- There is currently insufficient capacity to deliver the transition across both internal officers and wider local low carbon goods and services supply chain.
- Insufficient local funding levers to accelerate delivery.
- Commercial / Public perception being one of a lack of an identified pipeline.
- Failure to provide a clear coordinated direction and steer on how we achieve our carbon neutrality ambition.
- Lost economic output and thus gain.

## 6. Next Steps

- 6.1 The initial Innovate UK Pathfinders submission was previously socialised with Directors of Place, Chief Executive Investment Group, and wider district colleagues in July 2023. A further paper on the Net Zero Accelerator Business Case will be brought forward recommending the focus areas of work and how it will be progressed.

- 6.2 Once agreement has been achieved on the focus areas with the funding body, a governance structure, resourcing plan, and procurement needs for external support will developed and agreed.
- 6.3 Aligned to the above specific Net Zero Accelerator, it is proposed that a clear GMCA/District structure be established to enable a coordinated approach to development. This structure would aim to ensure the limited resources available are maximised, duplication of effort is removed, and delivery is accelerated.
- 6.4 Subject to the review and establishment of a GMCA/District development, delivery structure, suitable capacity to support across the core competencies of investment, procurement, legal and programme delivery will need to be created to maximise our first mover status set out within the SOBC. While the Net Zero Accelerator may fund some work around this there will be a need for further resource that will be considered as part of the further report to the CA.
- 6.5 There will be continued engagement as part of the Devolution deal negotiations and wider governmental department dialogue in respect of both enabling policy and funding asks.

## **7. Financial Implications**

- 7.1. Delivery of the Net Zero Accelerator alone will be fully funded; however, it should be noted the wider SOBC next steps will require further investment to complete the Outline Business Cases alongside wider pipeline development.
  
- 7.2. Wider delivery of the SOBC activity has been addressed in previous papers in July 2023 and will be updated further in the coming months. Additional investment could come from: existing capital and maintenance budgets, devolved or bid for national funding for low carbon activities, Retained Business Rates and private sector investment.

## **8. Recommendations**

- 8.1. Recommendations are set out at the front of this report.