

# JOINT DEVOLUTION COMMITTEE

## MEETING

MONDAY 13 MARCH 2023

### Shortlisting of Projects for the Net Zero Fund Programme

#### Report of the Chief Operating Officer, York and North Yorkshire LEP

#### **1.0 PURPOSE OF REPORT**

- 1.1 This report provides an update on the delivery of the Net Zero Fund (NZF), including:
- Background to the Fund
  - Launch of the Fund
  - Assessment Process for Applications
  - Shortlisted Projects
- 1.2 This report seeks:
- (1) Approval of the initial prioritised list of revenue projects, which will form the basis of further discussions with applicants, and a revised list of projects will be presented at a future Joint Committee meeting;
  - (2) Approval of the initial prioritised list of capital projects and for these to progress to full business case stage; and
  - (3) Approval for the prioritised revenue and capital projects to form the basis of the programme level business case that will be submitted to Government.

#### **2.0 BACKGROUND**

- 2.1 Within the proposed York and North Yorkshire Devolution Deal, published August 2022, it was agreed “The Government will provide £7 million investment that will enable the area of York and North Yorkshire to drive green economic growth towards their ambitions to be a carbon negative region. This investment is subject to agreement of a business case from the area”.
- 2.2 To ensure readiness to deliver this funding prior to the York and North Yorkshire Combined Authority (YNY MCA) being established, the Devolution Joint Committee agreed an interim process at the 30<sup>th</sup> November 2022 Joint Committee meeting. This agreement was for the York and North Yorkshire Local Enterprise Partnership to administer the fund, on behalf of the YNY CA. The process is being run at risk (until the YNY MCA is established), in order to maximise the preparedness of projects to deliver by March 2025.
- 2.3 At the 30<sup>th</sup> November 2022 Joint Committee meeting, the prospectus for the Net Zero Fund was signed-off. This included agreement of the purpose and scope of the funding, as summarised below:
- **Project Development Support** (£1m revenue funding): The Fund will support the development of projects to enable us to build an investible pipeline of projects that will make a significant contribution to delivering net zero, energy security and economic growth. The fund will support project development activities, including project scoping, community engagement, feasibility studies and business case development.

- **Capital Grants for Project Delivery** (£6m capital funding): The fund will enable the delivery of net zero projects that otherwise would not happen. The fund will provide capital grants to deliver net zero projects.

### 3.0 **NET ZERO FUND LAUNCH**

- 3.1 The Net Zero Fund was launched on 3<sup>rd</sup> January 2023, with a call for full applications for the revenue strand and Expressions of Interests (Eol) for the capital strand.
- 3.2 The Y&NY LEP team hosted a webinar for applicants on the 5 January, with over 80 attendees.
- 3.3 The deadline for applications and EOI was 12pm on the 6 February 2023. 52 applications were received for the revenue strand, and 61 applications were submitted for the capital strand.
- 3.4 The table below provides a breakdown of funding requested for the project development (revenue) strand and the project delivery capital (strand).

**Table. 1 Summary of total requested amount from the NZF Project Development (Revenue) Strand & Project Delivery (Capital) Strand**

	<b>CYC</b> (Geographical area)	<b>NYCC</b> (Geographical area)	<b>TOTAL</b>
<b>NZF Project Development (Revenue) - Requested Funding</b>	£1,206,839.80	£3,681,369.00	<b>£4,888,262.80</b>
<b>NZF Project Delivery (Capital) - Requested Funding</b>	£9,240,101.00	£34,786,636.27	<b>£44,026,737.27</b>

### 4.0 **ASSESSMENT PROCESS**

- 4.1 An assessment panel was created made up of representatives from the Y&NY LEP, NYCC, CYC and the North East and Yorkshire Net Zero Hub. Each panellist individually assessed each application based on the Gateway Criteria and Assessment criteria, as set out in the Prospectus and summarised in the table below.

**Table 2. Summary of NZF Gateway and Wider Assessment Criteria**

<b>Gateway Criteria (Yes OR No)</b>	<b>Other Assessment Criteria (Scored between 0-10)</b>
Support net zero	Need for Intervention and VfM: Projects must address a market failure and provide a clear rationale why the project would not otherwise be delivered
Provide communal or public benefit	Impact: Project should deliver/lead to substantial impacts, including: Greenhouse Gas (GHG) Emissions reduction or sequestration; low carbon energy generation; economic and social benefits (e.g. creation of high quality jobs, community wealth building).
Evidence the rationale for public sector intervention	Deliverability: Be deliverable with a clear plan, capacity, expertise and additional funding (where required) in place to deliver the proposed project within the timescales of the fund

Be delivered and funding drawn down by 31 March 2025	Risks: Consider all risks and identify mitigating actions
Must be located in York and North Yorkshire	Local Strategic Fit: Show evidence of local support including alignment with Local Authority Climate Change Strategies (i.e. York Climate Change Strategy, North Yorkshire Council's Climate Change work), Local Area Energy Plans and planning policy.
	Regional Strategic Fit: Contribute towards the strategic priorities within York & North Yorkshire's Routemap to Carbon Negative, as outlined on the previous page.

4.2 A consensus session was then held on the 16<sup>th</sup> February 2023 to agree overall scores and recommend projects to prioritise.

## 5.0 **OUTCOME OF ASSESSMENT: SHORTLISTED PROJECTS**

5.1 Based upon the assessment of **project development (revenue) applications**, projects have been prioritised into the following categories:

- High Priority – Projects to be progressed
- Mid Priority – Reserve list
- Low Priority – Reject/incomplete/fail gateway

5.2 The full list of revenue projects is included in Appendix A. The appendix is considered confidential due to commercial sensitivities. The table below provides an overview of the location of high priority shortlisted projects that have been recommended to proceed:

		To proceed		
		CYC (Geographical area)	NYCC (Geographical area)	TOTAL
<b>NZF Requested Funding</b>		£443,500.00	£1,131,604.00	<b>£1,575,104.00</b>
<b>Total Funding</b>		£470,500.00	£1,397,644.00	<b>£1,868,144.00</b>
Routemap Strategic Priorities	Energy Projects	£343,500.00	£424,000.00	£767,500.00
	Heat & Buildings Projects	£100,000.00	£227,240.00	£327,240.00
	Industry & Business	-	£201,364.00	£201,364.00
	Transport	-	£140,000.00	£140,000.00
	Land Use & Marine	-	£139,000.00	£139,000.00

5.3 Based upon the assessment of **project delivery (capital) EoIs**, projects have been prioritised into the following categories:

- High Priority
- Medium – High Priority
- Medium Priority
- Medium- Low Priority – Reserve list
- Low Priority - Reject/incomplete/fail gateway (Potential Pipeline)

Progress projects to Full Business Case Stage

5.4 The full list of capital projects is included in Appendix B. The table below provides an overview of the location of shortlisted projects that have been recommended to proceed:

		To proceed to Full Business Case (FBC)		
		CYC (Geographical area)	NYCC (Geographical area)	TOTAL
<b>NZF Requested Funding</b>		£5,811,401.00	£11,204,355.27	<b>£17,015,756.27</b>
<b>Total Funding</b>		£9,678,793.00	£18,257,797.84	<b>£27,936,590.84</b>
<b>Routemap Strategic Priorities</b>	Energy Projects	£647,350.00	£4,382,000.00	£5,029,350.00
	Heat & Buildings Projects	£2,728,193.00	£2,728,193.00	£4,053,193.00
	Industry & Business Projects	£3,039,051.00	-	£3,039,051.00
	Transport Projects	-	£3,574,572.02	£3,574,572.02
	Land Use & Marine Projects	£800,000.00	£519,590.00	£1,319,590.00

5.5 The prioritisation of projects for both the revenue and capital strands leads to a high level of over-subscription beyond the £7m funding available. This is recommended due to the majority of applicants requesting a high proportion of their projects costs to be covered through the NZF. The NZF must be considered as “last resort” funding and, therefore, it is expected that the proportion of requested funding to be significantly lowered as the capital projects progress to full business case stage.

5.6 The level of over-subscription also provides mitigation in the case of applicants withdrawing projects.

5.7 It should be noted that the £7m will also be used to fund programme management costs.

5.8 Approval of the initial **prioritised list of revenue projects** is requested, so that the team can have further discussions with applicants and further refine the list of projects. A revised list of projects will be presented to a future Joint Committee meeting. It is also worth noting that the assessment of the project proposals identified a clear need for a wider programme focused on producing decarbonisation plans for buildings and estates. Although these proposals have not been shortlisted for the NZF, the Y&NY LEP team will work with these organisations to develop a future programme.

5.9 Before the **shortlisted capital EoI proposals** can proceed to FBC, approval from the Devolution Joint Committee is required. With approval from the Devolution Joint Committee, applicants of these proposals will then be notified to submit a Full Business Case by 31 May 2023.

## 6.0 **FINANCIAL IMPLICATIONS**

6.1 There are no negative financial implications. Where extra costs and capacity are required for programme management of the fund (including appraisals), this will be charged from the £7m allocated by Government.

- 6.2 As stated within the fund’s Prospectus, ‘all activity and expenditure, up to the order being passed by Government, is undertaken at the applicant’s risk’.
- 6.3 At this stage in the process, no investment will be made via the NZF. Further information and prioritisation is required through the FBC stage, aligned with the LEP’s assurance process (the interim process for this fund until the MCA is established).

## **7.0 LEGAL IMPLICATIONS**

- 7.1 Minimum legal implications are anticipated at this stage but the opportunity for applicants to make appeals against their proposal outcome has been built into the process. When applicants are updated on the decisions taken at the Devolution Joint Committee meeting in March 2023, they will be notified of the timeframes to appeal.

## **8.0 CLIMATE CHANGE IMPLICATIONS**

- 8.1 The Net Zero Fund has been established to support York and North Yorkshire reach its ambition to be a carbon negative region, and hence address climate change. The delivery of the NZF will make a significant contribution to reducing Greenhouse Gas Emissions (GHGs), alongside improving natural carbon sequestration.

## **9.0 EQUALITIES IMPLICATIONS**

- 9.1 No equalities implications are anticipated at this stage. As part of the assessment process, each project has been required to pass a gateway check of ensuring the project will deliver public or communal benefit. This will ensure the benefits of each project will not only accrue to a single organisation or individual.

## **10.0 REASONS FOR RECOMMENDATIONS**

- 10.1 As referenced in ‘4.0 Assessment Process’, recommendations for shortlisted projects have been based on assessment criteria, including need for intervention and value for money, deliverability, impact, risk analysis and strategic fit.

## **11.0 RECOMMENDATIONS**

- 11.1 This report recommends:

- (1) Approval of the initial prioritised list of revenue projects, which will form the basis of further discussions with applicants, and a revised list of projects will be presented to a future Joint Committee meeting;
- (2) Approval of the initial prioritised list of capital projects and for these to progress to full business case stage; and
- (3) Approval for the prioritised revenue and capital projects to form the basis of the programme level business case that will be submitted to Government.

Katie Thomas, York & North Yorkshire Local Enterprise Partnership  
20/2/23

### Appendices

- Appendix A - Recommendation for the prioritised revenue projects for the Net Zero Fund (Confidential)
- Appendix B - Recommendation for the prioritised capital projects for the Net Zero Fund (Confidential)