



**CAMBRIDGESHIRE  
& PETERBOROUGH**  
COMBINED AUTHORITY

Agenda Item No: 4.1

## Greater South East Net Zero Hub

To:	Cambridgeshire and Peterborough Combined Authority Board
Meeting Date:	30 November 2022
Public report:	Yes
Lead Member:	Councillor Bridget Smith, Lead Member for Environment and Climate Change
From:	Maxine Narburgh, Regional Head Greater South East Energy Hub
Key decision:	Yes
Forward Plan ref:	KD2022/053
Recommendations:	<p>The Combined Authority Board is recommended to:</p> <ul style="list-style-type: none"><li>a) Agree the acceptance of the BEIS GSE Net Zero Hub MoU 2022 to 2025.</li><li>b) Delegate authority to the Interim Chief Executive, in consultation with the Chief Finance Officer and Monitoring Officer, to enter into agreements and approve the budgets corresponding to the BEIS funding agreements for the delivery of new projects and pilots.</li><li>c) Delegate authority to the Interim Director of Corporate Services, in consultation with the Chief Finance Officer and Monitoring Officer, to update the Net Zero Hub Board Terms of Reference and Accountable Body Agreement.</li><li>d) Delegate authority to the Net Zero Hub Board for the use of the grants where the decisions do not impact the Combined Authority budget or staffing arrangements.</li><li>e) Note the Greater South East Net Zero Hub bid into the Home Upgrade Grant Phase 2 challenge fund being run by BEIS and, if this is successful, agree to the mobilisation of the project,</li></ul>

commence procurement, invite bids and award to successful bidders, and the creation of budget lines to expend the HUG2 funding.

Voting arrangements: A simple majority of all Members present and voting,

To be carried, the vote must include the vote of the Mayor, or the Deputy Mayor when acting in place of the Mayor.

## 1. Purpose

- 1.1 To agree the acceptance of the BEIS Net Zero Memorandum of Understanding (MoU) for core net zero activities (2022-2025), this replaces the Local Energy Capacity Support Programme MoU (2018-2022).
- 1.2 To delegate to the Interim Chief Executive, in consultation with the Chief Finance Officer and Monitoring Officer to enter into agreements and agree budgets for the continued delivery of the GSENGH, ringfenced projects and the new Local In-Person Consumer Energy Advice pilot in 2.9 to 2.17.
- 1.3 To agree to revising the GSENGH Board Terms of Reference and Accountable Body Agreement to reflect the BEIS Net Zero MoU, delegating authority for the use of the grants where this does not negatively impact on CPCA budgets or staffing.
- 1.4 To note the GSENGH bid into the Home Upgrade Grant Phase 2 Challenge Fund on behalf of local authorities within the GSE consortia. To agree to the mobilisation of the project, commence procurement, invite bids and award to successful bidders, and the creation of budget lines to expend the HUG2 funding.

## 2. Background

### GSENGH – Local Net Zero Programme MoU

- 2.1. On 28<sup>th</sup> February 2018, the Combined Authority (CA) Board agreed to establish the Greater South East Net Zero Hub (was local energy hub) and become the Accountable Body on behalf of eleven Local Enterprise Partnerships (LEPs) and 136 Local Authorities.
- 2.2. The MoU that established the Hub, was the Local Energy Capacity Support Programme, there have been seven variations to the MoU between 2018 and 2022. The Hubs were rebranded from Local Energy Hubs to Net Zero Hubs in March 2022, reflecting the wider scope of support provided. This transition enables the joining up of transport, heat, power, buildings, planning, air quality and skills in a place-based net zero approach.
- 2.3. Achieving carbon budgets will require action at both national and local level. In December 2020, the Climate Change Committee's sixth carbon budget identified the need for action at local authority as well as national level to achieve net zero – they estimate that over 30% of carbon savings will come from local action. The National Audit Officer and Environmental Audit Officer have called for Government to have stronger, more visible framework and partnerships in place with local government and communities if they are to meet national net zero ambitions.
- 2.4. Many LAs have set their own ambitious decarbonisation targets but they face numerous barriers to delivering these plans, including a lack of capacity and capability, and the need for capital funding to develop the pipeline of projects which support local priorities and attract commercial funding for long-term, integrated investment programmes. However, with the right support, e.g. the Hubs teams, LAs can go further faster. The Local Net Zero Programme enables local areas to implement cost effective and integrated net zero programmes, whilst taking account of local needs and opportunities.

- 2.5. The GSENGH has a role in supporting local authorities lacking capacity and capability in developing net zero projects and sharing learning from successful projects and authorities leading on the transition to net zero. The Hub takes a strategic approach to replicate and scale projects with our broad range of stakeholders and networks in the net zero sector, influencing policy and investing our resources to accelerate net zero.
- 2.6. The Local Net Zero Programme MoU 2022 – 2025 has been issued by BEIS to enable continuation of the Hub and its activities for 2022/2023. The Local Net Zero Team has approval to fund the Local Net Zero Hubs for 2023-2024 and 2024-2025. The funding will be provided under a variation to the MoU and will be granted at the start of each financial year, depending on additional funding available and agreements required for that funding. For the period 2022-2023, £1.195m has been allocated to continue the delivery of the GSENGH and its objectives as set out in the MoU dated 27 October 2022 (Appendix 1). £475K has been ringfenced for projects (see 2.8).
- 2.7. The Local Net Zero Hubs provide BEIS with the connectivity from national policy to local action and delivery, providing capacity and capability to the public sector through a team of net zero experts. Through the Net Zero Hubs, BEIS are able to resource fewer delivery partners to support the delivery of Net Zero policy.

The core objectives of the Hubs are:

- a) Attract commercial investment and help LAs and other public sector bodies to develop investment models to accelerate progress to net zero.
- b) Increase the number, quality and scale of local net zero projects, supporting early stage development and delivery.
- c) Collaborate with BEIS to develop and support Net Zero elements to wider programmes, such as transport decarbonisation and levelling up.
- d) Support a knowledge transfer programme to improve information sharing, training and evaluation, creating a network of experience.
- e) Raise local awareness for and benefits of local net zero investment, including national schemes.

## Ringfenced Projects

- 2.8 In the 2022-23 funding BEIS have requested that the GSENGH supports the delivery of two ringfenced projects:
  - a) To continue the development of the Net Zero Go Platform £400K  
The development and continued use by LAs of the Smart Local Energy Systems local authority toolkit. The toolkit provides a consistent approach to delivering local energy projects. The toolkit has simple, intuitive information, case studies, templates, data sets, finance information, example user journeys and planning tools to simplify the process of building business cases for a pipeline of innovative, ambitious and investable smart local energy system projects.
  - b) To support building community energy infrastructure £75K  
This is a commitment from Net Zero Strategy to support community energy sector to access wider funding (following the closure of the Rural Community Energy Fund).

## Local In-Person Consumer Advice Competition Pilot Project

- 2.9. The most recent report from the Climate Change Committee stated that Government needs to do more to broaden engagement with consumers to support decarbonisation of buildings. The report recognised that a clear priority is the delivery of an effective energy advice service given the current energy bills crisis and slow progress with decarbonising buildings. It asked for an ambitious advice offer that would save individuals and businesses money and provide advice on how to adapt energy systems to cope with the impacts of climate change.
- 2.10. To address this Government committed, in the Energy Security Strategy, to an energy advice service on GOV.UK (Summer 2022), a phonenumber service (Winter 2022) and the launch of local in-person advice pilots in April 2023.
- 2.11. The in-person advice pilots will offer community-led approaches which aim to reach consumers and building types that particularly require in person advice, including, but not limited to:
  - a) Hard-to-treat buildings – the UK has the oldest building stock in Europe. In-person visits can better capture the complexities of these building types, which are harder to address through digital and telephone advice.
  - b) Vulnerable consumers – local, in-person advice may extend the service to certain consumer types e.g., the elderly, disengaged, those with limited internet access, minority ethnic groups, etc.
- 2.12. The total capital value of the competition will be ~£20million, subject to HMT approval in February 2023, with 10% made available for the administration of the project. This will be apportioned across the five Net Zero Hubs. BEIS expects the Hubs to award a series of grants of up to £2million each from April 2023 to a range of community led projects with viable proposals.
- 2.13. The Net Zero Hubs are being engaged to support BEIS with the design, launch, management and monitoring of the competition in 2022-2023. This is the subject matter of the draft MoU.
- 2.14. BEIS issued a draft MoU for the mobilisation of the Local In-Person Consumer Advice projects, this is currently in review with the five Hubs. Subject to final issue, £100,000 of Grant funding has been made available to each Hub for 2022-23, to design the competition; launch the competition; and provide grant awards/ funding to a range of community-led groups in England to provide local in-person energy advice to homeowners.
- 2.15. Between 2023 to 2025 the Hubs will monitor the projects, including progress, seeing that projects are delivering in terms of scope, value and timeline, escalating issues as necessary, and providing regular monthly reports to the Department. This and the project fund will be subject to variations to the MoU.
- 2.16. The Hubs will lead on the assessment of project proposals with BEIS officers. Funding decisions will be made by a national panel and ratified by the GSENZH Board.
- 2.17. On the 21<sup>st</sup> October the GSENZH Hub Board approved the following recommendations:

- a) Agree to the Hub Board providing the governance for the project (approval of applications, project oversight and reporting).
- b) Agree to the Hub procuring technical support to provide advisory services to support the delivery of the project.

## GSENZH Governance

- 2.18. On 23<sup>rd</sup> September 2019, the CA Board agreed to the establishment of the Greater South East Net Zero Hub Board in line with the Terms of Reference (Appendix 2) and authorised the finalisation of the Accountable Body Agreement (Appendix 3). The CA Board delegated authority to the GSENZH Board for the use of the Local Energy Capacity Support Grant and Rural Community Energy Fund, where decisions to not impact CPCA budget or staffing arrangements.
- 2.19. The GSENZH Board Accountable Body Agreement and Terms of Reference align with the Local Energy Capacity Support Programme MoU (2018-2022) and are no longer fit for purpose as they were based on the Local Energy Capacity Support Programme and Rural Community Energy Fund MoUs.
- 2.20. Where delegations to the GSENZH Board are not in place, the CA Board have approved projects from BEIS including, the £1.3m grant for public sector estate decarbonisation programme, COP26, social housing technical assistance facility, research projects and pilot studies, Local Authority Delivery Phase 2 and Sustainable Warmth.
- 2.21. At the CA Board meeting of 28<sup>th</sup> February 2018, the CA Board authorised the Chief Executive to employ staff as required to meet the administrative and technical requirements of administering the GSENZH.
- 2.22. CPCA staff resource is contracted from ringfenced funds provided through MoUs for the operation of the GSENZH or, at times, the project funds for delivery. The shared service resource commitment is ringfenced to provide the services paid for from the specialist budgets to meet the terms of the MoUs. Beyond this CPCA also top-slices 15% of the GSENZH staffing budget to cover the overheads of hosting and assuring the work of the Hub.
- 2.23. The Local Net Zero Programme MoU requires the GSENZH to maintain a governance structure that is regionally representative to oversee the activities of the Hub. These governance structures may be subject to change to reflect any changes in local governance, such as devolution deals.
- 2.24. Each Hub is required to have a Board made up of local representatives as well as other stakeholders such as regional leaders and third parties, which will be responsible for ensuring supported projects are in line with wider Net Zero goals and signing off on resource/funding decisions. The GSENZH is required to develop an Operating Strategy by 31<sup>st</sup> March 2023 for the period 2023-2025. Further details regarding governance and any regional variation will be set out in the strategies.
- 2.25. At the GSENZH Board meeting on the 7<sup>th</sup> June 2022 the GSENZH Board resolved to create a steering group with GSENZH Board membership that will be used to inform the GSENZH Operating Strategy and future governance arrangements.

- 2.26. At the 19<sup>th</sup> July 2022 GSENZH Board meeting BEIS outlined the need for governance to be reviewed due to the changing context of the Hubs and the opportunity for devolution across England, the proposal was agreed by the GSENZH Board. Due to the scale of the greater south east region BEIS have requested that the GSENZH Board, creates 2 or 3 sub-boards that represent the north and south stakeholders in the region, London have requested a separate sub board. These sub-boards will feed into the main GSENZH Board which will continue to be the decision-making body.
- 2.27. The GSENZH Accountable Body Agreement and Terms of Reference need to be revised in line with the requirements in the BEIS Local Net Zero Programme MoU.
- 2.28. The funding for Hub operations comes directly through grant awards from BEIS. Project Capital funding is a mix of public sector grant funds and commercial investment and in some cases comes exclusively from BEIS (as it has for the LAD and HUG schemes) with an allowance for project operations alongside the Capital funding. As such there is no direct funding input from CPCA that has not already been approved within CPCA governance and financial controls.
- 2.29. Owing to the spot nature and timing of initiatives from Government the Hub often finds itself in a position of needing to commit resources and activity to secure slots for bids and funding at short notice. A recent example of this is BEIS launch of HUG2 phase and a requirement to bid within a month of launch. When these requirements are compared to the CPCA board cycle (moving to bi-monthly) there is a mismatch.
- 2.30. The Hub board is requesting the authority to make decisions that utilise the funding controlled by MoUs and pre-approved funds from CPCA. This will provide the flexibility and pace of decision-making to support the work that needs to be delivered.
- 2.31. For example, the decisions may be whether to allocate staff to a new activity or the steering and practical decisions within the delivery of a project (although these are more likely to be taken at a specific project board), or the authority to proceed with a procurement that is within the terms of the funding available. Decisions will not be taken where there is impact to CPCA budgets, staffing or delivery of their function without recourse to the CPCA governance requirements. Bidding for funding will be subject to oversight from the S73 offer as they have the delegated authority to: *“Approve applications to bid for external funding where there are no wider budgetary implications or the bid relates to a matter within the strategic framework.”*,
- 2.32. The Hub, as an organ of CPCA, seeks to be transparent and will share regular reports with the Projects and Risk Committee, the Audit and Governance Committee, and the Oversight and Scrutiny Committee. It will also retain CPCA director-level sponsors on the Hub Board.
- 2.33. Currently the Hub undergoes internal and external audit on decision making and spend and this will continue to be the case. The Hub is covered by the CA internal and external auditing requirements, in addition to those specifically related to Hub grant funds. Given the significant new governance arrangements being put in place it is anticipated that an audit on the Hub, and it’s adherence to the agreed arrangements would be included in the 2023/24 Internal Audit plan.

## Home Upgrade Grant: Phase 2 (HUG2)

- 2.34. HUG2 follows Local Authority Delivery Phase 2 (LAD2) and Sustainable Warmth (LAD3, HUG1). The LAD2 project faced a number of challenges which resulted in the inability to spend the funding allocation within the project timeframe. This was due to delays in contracting, availability of a national supply chain and local authority capacity to self-deliver projects.
- 2.35. Three Turnkey delivery organisations have been procured to support the delivery of Sustainable Warmth, alongside the sole Managing Agent for LAD2. The Energy Efficiency Measures Dynamic Purchasing System (DPS) used by the Managing Agent now has 76 approved installers, 33 have bid for works and can deliver measures. Delivery capacity for Sustainable Warmth matches, and possibly exceeds, the budget available for the scheme. This additional delivery resource is in contract and we expect to recontract these and others for HUG2.
- 2.36. HUG2 is a £700million challenge fund launched on the 29<sup>th</sup> September 2022. The grant will provide energy efficiency upgrades and low carbon heating via local authority funding to low income households that are not heated by gas and have an Energy Performance Certificate between D and G.
- 2.37. The fund is open to direct applications by local authorities, consortia bids and consortia led by the Net Zero Hubs.
- 2.38. HUG2 is a two-stage application process, outline applications and batch applications. The outline application is a high-level project level application, if successful there is a delivery assurance check followed by a batch application phase. Batch applications are submitted throughout the project delivery, these batches are details of signed up households with defined measures and costings that will be approved by BEIS ahead of delivery.
- 2.39. There are two outline stage application deadlines 18<sup>th</sup> November 2022 and 27<sup>th</sup> January 2023. Successful applications made in November will be able to mobilise in March 2023, providing a smooth transition from Sustainable Warmth which closes on 31<sup>st</sup> March 2023. If all funding is allocated in the November round there will be no January funding call.
- 2.40. To date 48 local authorities in the GSENGH Sustainable Warmth consortia have confirmed participation in the HUG2 consortia bid. The anticipated bid value is ~£81million over two years. Further work and refinement of these figures is required as part of the delivery assurance with BEIS.
- 2.41. The Chief Executive in consultation with the Monitoring Officer and Chief Finance Officer will approve all relevant documents to enable a bid as any spends would not contravene the budgetary framework.
- 2.42. To maintain and secure supply chain capacity and commitment in the GSE region, the GSENGH has bid into the November outline application. This will ensure the opportunity of an allocation of funding (there may be no funding left in January) and it will enable installers working in the region to transition from Sustainable Warmth into HUG2, providing confidence and continuity of funding.
- 2.43. The GSENGH will need to undertake additional procurements to meet the requirements of



the HUG2 delivery model. Work has commenced on the structure of procurements building on lessons learnt from LAD2 and Sustainable Warmth.

- 2.44. The GSENGH have lessons learnt from the delivery of the previous schemes, have built internal capacity and capability and increased the supply chain delivering in the region. The regional model has efficiencies of scale and has resourced workstreams to increase supply chain capacity and identify skills needs. Additional resource has been allocated to support local authority capacity and capability building in retrofit delivery.
- 2.45. On 31st August 2022, the CA Board approved the establishment of a Sustainable Warmth (Retrofit) project board. This project board will continue to provide oversight and scrutiny to the delivery of the HUG2 project alongside the GSENGH Hub Board and CA Board.
- 2.46. On 21st October the GSENGH Board approved the recommendation to support the proposal for the Hub to bid into the HUG2 Challenge Fund on behalf of local authorities who have requested to be part of the consortia.

## Significant Implications

### 3. Financial Implications

- 3.1 A successful HUG2 bid would require a continuation of the enhanced level of staffing and support the GSENGH has in place to deliver LAD3 and HUG1, as opposed to the reduction in staffing if HUG2 is not delivered via the GSENGH. The cost of this enhanced support is entirely chargeable to the capital grant and thus will not increase the Combined Authority's net staffing costs.
- 3.2 While the letter from the Deputy Director at BEIS (final page of appendix 1) states that it is to provide certainty so the Combined Authority can enter into employment contracts beyond September 2023, the MoU specifically states that funding will only be committed on a yearly basis. As such it is clear that the expectation is that the Combined Authority will make decisions over the medium term but this would be done at risk – although the implication of the letter from BEIS is that the risk is minimal.

### 4. Legal Implications

- 4.1 The MOU has had legal review and commentary.
- 4.2 The Net Zero Hub Terms of Reference and the Accountable Body Agreement will be updated accordingly once the MOU has been agreed by the Combined Authority Board.

### 5. Public Health Implications

- 5.1 The report recommendations have positive implications for public health.

### 6. Environmental and Climate Change Implications

- 6.1 The report recommendations have positive implications for environment and climate change.

## 7. Other Significant Implications

### Risk

- 7.1 LAD2 and Sustainable Warmth had significant delivery, operational and reputational risks and issues. Risks have now been mitigated through the increased capacity in the supply chain and reducing the maximum forecast spend target.
- 7.2 HUG2 is a new delivery model that requires household signup ahead of batch applications for funding. Other key risks are summarised in the table below:

<b>Key Risk</b>	<b>Mitigation</b>
New delivery model, untested with the supply chain	Develop procurement strategy in consultation with supply chain
Supply chain capacity and continuity of delivery	November outline application to enable procurement and contracting for March 2023 mobilisation
Inflationary price increases impacting on deliverability	Batch applications allows for pricing per batch, procurement to accommodate regular repricing and benchmarking
HUG eligible households are hard to find	Purchase data and model scenarios, external review of bid Scheme change requests may be required to support the eligibility
CPCA reputation if delivery targets are not met	Align bid with realistic delivery targets, Retrofit Project Board to provide oversight

## 8. Appendices

- 8.1 Appendix 1 – Local Net Zero Programme MoU
- 8.2 Appendix 2 – GSENZH Terms of Reference
- 8.3 Appendix 3 - Accountable Body Agreement

## 9. Background Papers

- 9.1 [CA Board 28 February 2018 – Item 5.1 - Greater South East Local Energy Hub \(the 'hub'\)](#)
- 9.2 [CA Board 23 September 2019 - Item 4.3 - Greater South East Energy Hub](#)
- 9.3 [CA Board 31 August 2022 - Item 2.2 - Sustainable Warmth](#)