

Executive Board – 21 February 2022

Subject:	D2N2 wide – Local Area Energy Planning
Corporate Director(s)/Director(s):	Frank Jordan, Corporate Director Communities, Environment and Resident Services Wayne Bexton, Director of Environment and Sustainability
Portfolio Holder(s):	Councillor Sally Longford, Portfolio Holder for Energy, Environment and Waste Services
Report author and contact details:	Michael Gallagher – Head of Midlands Net Zero Hub michael.gallagher@nottinghamcity.gov.uk
Other colleagues who have provided input:	Wayne Bexton – Director Environment and Sustainability
Subject to call-in:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Key Decision:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Criteria for Key Decision:	
(a)	<input checked="" type="checkbox"/> Expenditure <input checked="" type="checkbox"/> Income <input type="checkbox"/> Savings of £750,000 or more taking account of the overall impact of the decision
and/or	
(b)	Significant impact on communities living or working in two or more wards in the City <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Type of expenditure:	<input checked="" type="checkbox"/> Revenue <input type="checkbox"/> Capital
	If Capital, provide the date considered by Capital Board: consideration subject to the proposed bid being successful
Total value of the decision:	£1.2m
Wards affected:	All
Date of consultation with Portfolio Holder(s):	Cllr Longford – 11 Jan 23
Relevant Council Plan Key Outcome:	
Clean and Connected Communities	<input type="checkbox"/>
Keeping Nottingham Working	<input type="checkbox"/>
Carbon Neutral by 2028	<input checked="" type="checkbox"/>
Safer Nottingham	<input type="checkbox"/>
Child-Friendly Nottingham	<input type="checkbox"/>
Healthy and Inclusive	<input checked="" type="checkbox"/>
Keeping Nottingham Moving	<input type="checkbox"/>
Improve the City Centre	<input type="checkbox"/>
Better Housing	<input checked="" type="checkbox"/>
Financial Stability	<input checked="" type="checkbox"/>
Serving People Well	<input type="checkbox"/>
Summary of issues (including benefits to citizens/service users):	
	The transition to Net Zero is complex and challenging. To do this successfully and economically is a significant strategic task which cannot be achieved in isolation. A clear plan on how to get there is needed. Local Area Energy Planning (LAEP) is a data driven and whole energy system, evidence-based approach that sets out to identify the most effective route for an area to contribute towards meeting the national net zero target, as well as meeting its local carbon reduction targets. LAEP is expected to be a significant component of a place-based approach to Net Zero that will be vital for government to meet its ambitions.
	There is effective engagement on the net zero agenda across the Nottingham/ Nottinghamshire and Derby / Derbyshire area. This is facilitated through the Low Carbon Growth Board of the Local Enterprise Partnership, the Nottinghamshire Environmental Strategy Working Group and

the (Derby / Derbyshire) Energy Group. Local Area Energy Planning has become a standardised item on the agendas of these groups over the last 6 months since the Energy Systems Catapult first presented the concept of Local Area Energy Planning to the groups.

Through these regular sub-regional discussions, the need for Local Area Energy Planning has been identified and its further exploration is supported in principle by the Chief Executives of Nottinghamshire, with positive engagement on-going with colleagues in Derbyshire.

Whilst this proposal is based on effective sub-regional working it is not dependent on the proposals relating to a combined authority and devolution deal that are currently being considered.

There are seven stages to Local Area Energy Planning. With the production of a Socio-Economic Report (appendix 1) and the drafting of a procurement specification for an expert consultant to support on the development of LAEP, we are currently at stage 1. However, elements of stage 2 are also being developed.

The stages are broken down as follows:

Stage 1 – Preparation

Stage 2 – Stakeholder Identification and Engagement

Stage 3 – Understanding and Representing the Current Local Energy System

Stage 4 – Modelling Options for the Future

Stage 5 – Scenario Refinement and Selection

Stage 6 – Actions, Priorities, and Decisions

Stage 7 – Create the Plan

The consultant will work with a lead from each local authority supported by the Technical co-ordinator, for the final overarching report a lead authority will be identified which will then report into the existing governance groups who are supporting this work. The consultant would support with the identification and management of key stakeholders. This would lead into work on understanding the local area energy systems, the production of a LAEP for each defined area and advice on the practicalities of its implementation across the D2N2 area.

The process is normally expected to take approximately 6-12 months. With this proposal, an extended time frame of two years is expected given the size of the geography the plan would likely cover. To remove risk to NCC, in-line with the procurement process, the project will be delivered in stages (each stage is a geographic area defined by Local Authority boundaries). Each stage will only proceed on confirmation from the Local Authorities involved in that stage that they are able to proceed financially and practically. Therefore it is expected that there will be pathfinder Local Authorities who will proceed with their areas first with the others to follow.

The scope of the exercise will include:

- electricity, heat, gas networks and future potential for hydrogen networks.
- the built environment (industrial, domestic and commercial) its fabric and systems
- energy generation and storage
- providing energy to decarbonised transport e.g. electricity to electric vehicles and charging infrastructure.

In summary, working collaboratively to create Local Area Energy Plans for each area together with an overarching plan for the D2N2 area would enable the most appropriate route to achieve Net Zero for our citizens, businesses and other stakeholders to be identified. The Technical Advisor will provide additional support to each Local Authority to collate the data alongside the consultant and ensure consistency in approach across each work package.

Nottingham City Council acts as the accountable authority of the Midlands Net Zero Hub so is well placed to act as the lead for the procurement and project co-ordination. This report is therefore seeking approval for the Council to lead the procurement for this work and support the project co-ordination between the Local Authorities to ensure consistency across the region as the LAEP develops.

Does this report contain any information that is exempt from publication?

No

Recommendation(s)

1. To agree that Nottingham City Council leads on the procurement of a consultant to create a Local Area Energy Plan, on behalf of the Local Authorities across the Derby/ Derbyshire and Nottingham/ Nottinghamshire area (D2N2)
2. To delegate authority to the Head of Midlands Net Zero Hub in consultation with the Director of Environment and Sustainability and the Director of Governance and Legal Services:
 - (i) to undertake a procurement exercise and enter into a contract to source a consultant to undertake the required work to deliver a Local Energy Plan for the Derby/ Derbyshire and Nottingham/ Nottinghamshire area.
 - (ii) to recruit a Technical Advisor on a Fixed Term 2-year contract subject to acceptance from each of the partner authorities of funding of up to £75,000 (£7,000 to cover the Technical Advisor role and £68,000 to cover the Consultants) and noting commitments and commissioning through the proposed consultant contract would only be made once approval and funding has been secured by the relevant partner authority.
3. To delegate authority to the Director of Environment and Sustainability in consultation with the Director of Governance and Legal Services to enter into an appropriate, agreements with the partner Local Authorities and other identified stakeholders for the creation of the Local Area Energy Plan

1. Reasons for recommendations

- 1.1 At Full Council on the 13th January 2020, the Council declared a Climate and Ecological Emergency. Then in June 2020 the CN 2028 Action Plan was published by the City Council to achieve sustainable carbon neutrality for Nottingham. Many of the partner Local Authorities have also declared Climate Emergencies, but recognise that they cannot deliver against their ambitions in isolation. Furthermore, some actions make more sense to deliver at a regional level.
- 1.2 Local Area Energy Planning is seen as the foundation of the region's ability to achieve Net Zero as it will develop a clear base line and identify the most cost effective and efficient path to achieve Net zero at a Local Authority, County and Regional level.

- 1.3 The work may also support bidding for funding and investment into the region, as it demonstrates the scale of the opportunity. £2.7bn of Net Zero and Environment projects have already been identified across Derbyshire and Nottinghamshire, through the work of the Midlands Net Zero hub in partnership with the N2 Environmental Strategy Working Group and D2 Energy Group.
- 1.4 Some projects identified may be best developed at a local level, others will have the potential to be packaged together and presented as a regional opportunity for investment and growth.
- 1.5 Local Authorities are in a unique position to demonstrate strategic leadership and can utilise Local Area Energy Planning to make informed decisions that cut across multiple agendas including planning, transport, investment, health, skills, jobs and economic growth but with Net Zero as the golden thread. It is envisaged that Nottingham City Council, supported by Midlands Net Zero Hub, would lead the procurement of a consultant with input to the specification supported by the other Local Authorities. Other stakeholders will also be included for example National Grid and Cadent alongside others who will be identified as part of the process. The supporting LAs would look to seek approval through their own processes to deliver this work
- 1.6 As not all Local Authorities will have funding readily available it is expected the work will be completed in staged work packages, with Nottinghamshire Local Authorities, with available budget, commencing work first. No further work would be commissioned until approvals and funding are in place from partner council and therefore there would be no risk of additional cost to NCC. However, the Midlands Net Zero Hub will support bid writing to appropriate grant funding streams, to support those LAs who may not be able to fully self-fund the work.
- 1.7 Local Authorities that are expected to be ready to progress first include; Newark and Sherwood, Rushcliffe, Broxtowe, Gedling, Bassetlaw as well as the Council.
- 1.8 Governance will be provided through the Nottinghamshire Environmental Strategy Working Group and the D2 Energy Officer Group which feed into the D2N2 LEP Low Carbon Growth Group. This ensures that there is clear representation at both County and LEP level of the Local Authorities, and other key stakeholders including National Grid, Cadent and the Universities.
- 1.9 There will be a project steering group of LA and Stakeholder representatives involving Senior leadership (e.g., Chief Executive), Officers with responsibility for energy, sustainability, climate change, Officers with responsibility for planning, transport, housing. Officers with responsibility for development, skills, jobs, business support, and economics.

2. **Background (including outcomes of consultation)**

- 2.1 The Council is the accountable body for the Midlands Net Zero Hub. It is proposed that the Hub will act as the project lead advisory body and recruit the Technical Advisor.
- 2.2 A socio-economic report has been produced in advance of this work, demonstrating the value of developing a Local Area Energy Plan. A full LAEP process could be expected to unlock significantly larger benefits through addressing other aspects of the local energy system. For example, analysis completed by PwC for InnovateUK found that taking a place-based approach to decarbonisation could reduce the investment required by as much as 70% whilst nearly doubling the wider social benefits that could be realised.
- 2.3 This partnership work essentially has two parts **A**: the Technical Advisor who will manage the procured organisation and work with the Local Authorities to ensure consistency in approach and quality in delivery and, **B**: The procurement and management of a competent organisation to create the Local Area Energy Plan.
- 2.4 Local Authorities will be invoiced upfront for the Technical Coordinator role. When Local Authorities are then ready to commence with their named work package, they will then be invoiced by NCC ahead of Work Package commencement to de-risk NCC's liability and ensure the consultant can be paid for the work in a timely fashion.
- 2.5 The governance of this work would be delivered through the following
 - D2 Energy Officer Group – would maintain oversight of this work for Derbyshire LAs
 - N2 Environmental Strategy Working Group – would maintain oversight of this work for Nottinghamshire LAs
 - These two groups then feed into the D2N2 LEP Low Carbon Growth Board, co-chaired by the, Director of Environment and Sustainability, Nottingham City Council. This Board will provide oversight of the full project.

3. **Other options considered in making recommendations**

- 3.1 Not developing a Local Area Energy Plan -discounted as the disparate approach to Net Zero is inefficient and more costly, as demonstrated in the Socio-Economic report. Developing a LAEP enables a co-ordinated approach at Local and D2N2 level that will identify the most cost effective approach to achieve Net Zero.
- 3.2 Not to proceed with the work, would be a missed opportunity to attract investment and to have a ready-made plan in place for addressing the Net Zero Transition at a Local Authority level and potentially at Combined Authority level, should Devolution proceed.

4. **Consideration of Risk**

- 4.1 This is low risk to NCC, the work is funded by each partner and led by the BEIS funded Midlands Net Zero Hub.
- 4.2 The funding secured from partner organisations would cover the costs of severance for the technical advisor role at the end of the fixed term period

however suitable employment within the Midlands Net Zero Hub would be explored.

4.3 There will be gateway controls embedded into the procurement and project to ensure that each work-package will only commence upon receipt of funds from the LAs within the work package. There will be a break clause in the contract so should a decision be made to progress unfunded work-packages the project can close. These steps will ensure there no financial risk implications to NCC.

5. **Best Value Considerations, including consideration of Make or Buy where appropriate**

5.1 This approach is considered best value.

5.1.1 It is more cost effective to recruit in a Technical Advisor, given the project duration is expected to span two years than pay a consultant rate for the equivalent time. It also enables more control over the contract management and deliverables.

5.1.2 The Midlands Net Zero Hub will work with the procurement team to ensure that the most cost effective approach is taken while ensuring quality is maintained when procuring the consultant to deliver the Local Area Energy Plan.

5.1.3 D2N2 Local Authorities will be contributing in full to their portion of the work, or working to secure the equivalent grant funding. Work on a work package will not commence until funding is in place for that work package.

5.1.4 The Socio-Economic report, provided separately, makes the economic case for how best value can be achieved through a Local Area Energy Plan process.

6. **Finance colleague comments (including implications and value for money/VAT)**

6.1 Financial Observations - D2N2 Local Area Energy Planning

The decision is looking to spend up to £1.2m, funded by D2N2 Local Authorities to:

- Procure, on behalf of the D2N2 Local Authorities, a consultant to deliver a Local Area Energy Plan for D2N2 LEP geography.
- Recruit a Technical Advisor post on a 2 year fixed term contract (Expected Grade I)

The work undertaken by the consultant will be broken down into work packages, with the smaller Local Authorities (LAs) being paired together for economies and efficiencies of scale. A potential external funding bid is being explored to contribute, in full or in part, to the cost of the work. Any external funding secured would reduce the funding to be provided by the LAs within the LAEP geographic area.

The initial work is likely to involve the Nottingham authorities acting as a pathfinder, as support has already been gained from the Chief Executives of those Authorities. Work will only commence once the relevant LA's have approved the required funding, so there is no financial risk to NCC in respect

of the funding of individual work packages. Funding for the NCC element of the work has still to be identified and approved.

The Technical Advisor will be recruited as a 2 year fixed term post and will be located within the Midlands Net Zero Hub. As it is a new position it will need to be fully evaluated by the job evaluation team but, based on the skills and knowledge required of the post holder, and similar roles in the area, it is estimated that this will be based on costs for Grade I level post. The costs will be fully funded, including pension deficit costs, severance costs etc by the LAs within the D2N2 LEP geography. The estimated cost is shown in the table below:

		0m		
Grade	Post name	Estimated Expenditure*		
		Yr1	Yr2**	Total
Gde I	Technical Advisor	0.0570	0.0598	0.1168
Total		0.0570	0.0598	0.1168
<i>Funded by: Derbyshire and Nottinghamshire LA's</i>		(0.0570)	(0.0598)	(0.1168)

* Salary costs include on-costs and pension deficit estimate

** Assumes progression to upper scale point

Risk Consideration

Potential national pay awards have not been estimated in the current costings, Additional funding would need to be secured from the relevant Ls's to cover any additional cost. Redundancy costs may be applicable at the end of the allocated funding, dependent on employee's LA pension history, and would need to be funded from existing Environment & Sustainability approved budgets

Alison Bennett – Senior Commercial Business Partner (Environment & Sustainability) Dec 22

7. Legal colleague comments

The LAE Planning process would be used to enable a degree of coordination in decision making by a range of bodies (public and private sector) operating in markets and/or regulated environments. When an overarching LAEP is in place it can be used to shape and influence individual decisions that remain the responsibility of a range of different actors, the individual Local Authorities included. In terms of the initial creation and ownership of an overarching LAEP, a single local government organisation would need to be identified to own and have overall responsibility for leading creation of the LAEP and have executive decision-making powers in respect of it.

Once an overarching LAEP is in place, current LAEP (non-government) guidance envisages that Local Authorities may need to consider entering into statutory enhanced partnership (SEP) agreements/ arrangements with Distribution Network Operators (DNO) and Gas Distribution Networks (GDN) to set and achieve shared aims with the private sector with regard to reaching LAEP delivery targets in particular concerning transparency, risk, and investment. Currently there are no formal requirements for DNO/GDNs to engage with LAs on future energy planning, running the risk of misaligned strategies.

If the statutory basis for SEP's are introduced a LAEP's development is likely to require specialist experienced external legal support to draft and advise on any such agreements due to a lack of in-house expertise. These agreements could become central to governance of the relationship between primary stakeholders / i.e. a Lead Authority and Network operators (electricity, gas, heat) who will play an active role in shaping the content and direction of the LAEP, contributing, and supporting the lead organisation in decision making.

The success of coordinated LAE Planning will begin with the creation of high quality LAEP which would clearly need to become a material consideration in local decision making. This will require resources within LAs supported by good governance and reporting processes, to support decision making on current policy priorities across heating, transport, planning and industrial decarbonisation as examples.

At present there is no formal central Government statutory guidance or confirmed policy with regard to LAEP. Whilst pursuing a LEAP in this context presents risk, the Mission Zero Independent Review of Net Zero by Rt Hon Chris Skidmore MP to central Government published 13.01.2023 confirmed that this is an area where more precise central government guidance would be helpful. Clear guidance on who should be responsible for and involved in producing [local area energy] plans is needed. Devolved governments in Scotland and Wales have issued clear guidance on LAEP which has not yet been replicated in England. Nevertheless procurement of a consultant to advise on and support with the identification and management of key stakeholders; understand the local area energy systems; assist in the production of a strategy for LAEP for each defined area and advise on the practicalities of implementation of a LAEP across the D2N2 area, doesn't involve any significant legal issue of itself however, the process will need to be completed through a competitive procedure and in compliance with Contract Procedure Rules and the Public Contracts Regulations 2015.

In relation to, the Technical Advisor role, if appointed on a 2 year fixed term contract this would give rise to 2years' continuous service with the Council and will mean the post holder accrues full employment rights, including the right not to be unfairly dismissed and to claim statutory redundancy (pay based on age, weekly average pay (capped at £571) and length of full service years.)

Richard Bines – Solicitor – Contract and Commercial Team - Legal Services - 23.01.2023

8. Other relevant comments

8.1 Procurement

Of the recommendations, only item (3) has direct procurement implications, (1), (2) (4) & (5) relating to recruitment of an employee and management of project finances respectively. Procurement of a consultant to deliver the scheme will be undertaken by competitive procedure overseen by the Procurement Team and in compliance with Contract Procedure Rules and the Public Contracts Regulations 2015, discussions for which are already underway with the client team. Advice provided by Jonathan Whitmarsh (Lead Procurement Officer) on 05/12/2022.

HR

The recruitment to a Technical Advisor on a 2 year contract will be funded by member LAs and hosted by NCC Environment & Sustainability Division. The postholder will be subject to NCC terms and conditions and NCC policies and procedures. The service area need to be mindful that postholder will be entitled to statutory redundancy pay at the conclusion of the contract if this is 2 years or more. This will need to be factored into the funding calculations. Advice provided by Shakeel Khalil (Senior HR Consultant) on 09/12/2022.

9. Social value considerations (If Applicable)

- 9.1 All procurement exercises overseen by the Council's Procurement team consider social value.
- 9.2 The socio economic report also highlights the social benefits including job creation and a reduction in fuel poverty.

10. Regard to the NHS Constitution (If Applicable)

10.1 NA

11. Equality Impact Assessment (EIA)

11.1 Has the equality impact of the proposals in this report been assessed?

No

An EIA is not required because:

An EIA is not required because this decision does not represent proposals for a new or changing policy, service or function.

Yes

Attached as Appendix x, and due regard will be given to any implications identified in it.

12. Data Protection Impact Assessment (DPIA)

12.1 Has the data protection impact of the proposals in this report been assessed?

No

A DPIA is not required because:

A DPIA is not required because this report does not represent proposals for the collection of personal data.

Yes

Attached as Appendix x, and due regard will be given to any implications identified in it.

13. Carbon Impact Assessment (CIA)

13.1 Has the carbon impact of the proposals in this report been assessed?

No

A CIA is not required because:

A CIA is not required because one of the key objectives of this work is to reduce carbon emissions. Upon commencement of the project, it will be possible to profile expected carbon savings with partners.

Yes

Attached as Appendix x, and due regard will be given to any implications identified in it.

14. List of background papers relied upon in writing this report (not including published documents or confidential or exempt information)

- 14.1 Socio-Economic Report Local Area Energy Planning
- 14.2 Guidance on Creating a Local Energy Plan - Feb 2022
- 14.3 Net Zero Review – Feb 2023

15. Published documents referred to in this report

NA