

Birmingham City Council

Report to Cabinet

12th October 2021



Subject: **APPROVAL OF ROUTE TO ZERO NEXT STAGE BUSINESS CASE**

Report of: **ACTING DIRECTOR, INCLUSIVE GROWTH**

Relevant Cabinet Member: **Councillor Waseem Zaffar – Transport and Environment**

Relevant O &S Chair: **Councillor Liz Clements, Sustainability and Transport**

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Are specific wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s):		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference: 008305/2021		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, provide exempt information paragraph number or reason if confidential :		

1 Executive Summary

- 1.1 This report presents to Cabinet the Route to Zero Next Stage Business Case. The report seeks approval of the creation of a Route to Zero (R20) team, led by the Assistant Director - Route to Net Zero Carbon post which has already been approved.
- 1.2 The report seeks approval of a number of new posts to create a dedicated R20 team to deliver the Council's work to reduce carbon emissions both organisationally and across the City.

- 1.3 The team will draw in external funding, aiming to be financially self-sufficient within 2 years. The report, via the Next Stage Business Case, also seeks:
- 1.3.1 Approval to progress the Wave 1 projects, which are in accordance with the January 2021 Action Plan;
 - 1.3.2 Approval of the strategic framework used for the appraisal and definition of Route to Zero projects. This framework will be used to progress the identification, development, and management of an ongoing suite of carbon-reducing initiatives and projects;
 - 1.3.3 Approval to undertake further work to define and confirm the role of the Council in its commercial approach to defining and delivering its Route to Zero portfolio.

2 Recommendations

This report recommends that Cabinet:

- 2.1 Approves the Next Stage Business Case set out in Appendix 1 to this report, noting that this will establish a new team, self-funded through external grant, to report to the Assistant Director - Route to Net Zero Carbon to provide the enhanced capability and capacity needed to deliver on the Climate Emergency commitment.
- 2.2 Approves use of the Financial Resilience Reserve to fund the net cost of the Route to Zero team in 2021/22 and 2022/23 (estimated at £0.268m in 2021/22 and £1.026m in 2022/23).

3 Background

- 3.1 The Route to Zero (R20) Next Stage Business Case seeks approval to establish the new Route to Zero team.
- 3.2 The 2021/22 figures assume that officers will take up posts in January 2022 and therefore is based on 25% of full year costs. The majority of these costs relate to staffing. The breakdown is set out in the table at Appendix 1. The funding assumes an average cost, based on appointments at the mid-point of the grade for each of the new posts, however, appointments will be positioned on pay scales in accordance with the normal HR policy.
- 3.3 The additional capacity and capability will enable BCC to drive the R20 programme in the short term 2021/22 and 2022/23. From the start of 2023/24, it is expected that the team will be funded by external grants and contributions sourced by the newly created Principal Finance and Bid Officer role.
- 3.4 The R20 team will support the development of business cases to secure carbon reduction which are likely to require long term funding. The R20 team will work to identify and secure funding from the public and private sector. They will actively manage the R20 portfolio to ensure that the R20 opportunity/project pipeline is maintained. The Principal Finance and Bid Officer will also provide critical support

in both developing material and content to support bids, and shaping and packaging bids to secure investment and fund the team.

- 3.5 The financial case for the medium to long term R20 portfolio and its constituent projects beyond 2022/23 will be developed in the series of individual business cases.
- 3.6 The objective of each business case approved for inclusion within the portfolio is that after (and as a result of) implementation a significant contribution is made to reducing the Council's revenue budget requirement.
- 3.7 Detailed cash flows for individual R20 projects will be developed in the individual business cases.
- 3.8 The table at Appendix 1 shows the breakdown of posts within the team and annual cost for each post as well as the other costs associated with establishing the team.
- 3.9 The Assistant Director post was approved at JNC Panel in March 2021. Recruitment has taken place and the successful candidate will commence employment from November 2021 on a reduced hours basis, and will commence full contracted hours on 1st January 2022.
- 3.10 The R20 team structure also proposes transferring three existing posts, which currently sit within the Development Policy team, to sit within the R20 team. These posts currently work on sustainability projects and for that reason it is considered that they sit better in the new R20 team. Two of the three posts are intended to be self-funding through income generation, however, the respective income targets are not currently being achieved.
- 3.11 Six new posts are proposed within the R20 team structure. The Portfolio Manager is a grade 6 post and would have responsibility for supporting the Assistant Director and the day-to day management of three posts within the team.
- 3.12 There are three new grade 5 posts. The Principal Portfolio Officer would monitor and manage the portfolio of projects, ensuring that delivery is on track and flagging up any significant issues. The Principal Behavioural Change and Engagement Officer would lead on a programme of behavioural change which is essential to driving down carbon emissions across the city.
- 3.13 The Principal Finance and Bid Officer would lead on generating funding for projects and would be available to help and support all the Council's service areas with funding bids for projects which would seek to reduce carbon emissions.
- 3.14 The Grade 3 Assistant Portfolio Officer would support the whole team and would be responsible for administering the series of regular meetings associated with the R20 programme, including the Climate Assembly, the Internal Working Group and the Advisory Committee.
- 3.15 It is also proposed that a new Personal Assistant post is created to support the Assistant Director. This post would report to the Business Support Manager – Digital and Customer Services.

- 3.16 In addition to the staffing budgets, there is also a one-off pump priming budget of £0.100m (spanning 2021/22 and 2022/23) to be used as a catalyst to leverage additional/external funding to accelerate programme targets; and a consultancy budget requirement of £0.100m per annum for the first two years, which is to fund additional ad hoc specialist advice that is required on a project specific or short-term basis and is therefore not cost effective to retain in-house.
- 3.17 All costs referred to in paragraphs 3.9 to 3.16 have added to them a 20% supplement for central support costs to derive the total additional cost.
- 3.18 The Next Stage Business Case also sets out the programme of work for the team, which includes progressing the Wave 1 projects within the January 2021 Action Plan but also expanding considerably the programme of work to take forward identifiable opportunities and to further reduce carbon emissions both within the Council and across the city.
- 3.19 It is anticipated that the work of the team for the first six months will relate to the creation of systems and processes to implement and measure programme parameters.
- 3.20 After systems and processes are established (i.e. 6 months after the creation of the team), the R20 team will then play a critical role in embedding R20-based practices and portfolio management processes throughout the Council, promoting a fundamental transformation in service delivery with the aim of reducing carbon emissions.
- 3.21 The R20 programme has continued to make progress since January 2021. The Climate Task Force has now transitioned into the Climate Assembly, and the first meeting was held in June 2021. Due to Covid-19 restrictions, this meeting took place online, however, the intention is to hold a hybrid meeting in September 2021, which will form part of the pre COP26 programme showcasing successes to date and looking forward to the next phase of R20 work.
- 3.22 It is proposed that R20 'Star Chambers' will be introduced once the new R20 team is established. These sessions will hold services to account on carbon reduction action planning and will support the on-going reduction of the Council's own carbon emissions.
- 3.23 The Next Stage Business Case also seeks approval for the continuing progression of the Wave 1 projects – these projects were set out within the January 2021 Action Plan and are underway. An annual progress report will be presented to Full Council in January 2022 setting out progress on each of the projects. Approval is also sought for the strategic framework used for the appraisal and definition of R20 projects. This framework will be used to progress the identification, development, and management of an ongoing suite of carbon-reducing initiatives and projects. The suite of projects developed so far is evidence of the Council's commitment to achieving its carbon reduction targets and provides a focus for the Council's R20 journey. However, it does not cover the totality of the work the Council needs to progress. Further, more detailed work in identifying, costing and prioritising

opportunities identified for BCC and more widely across the city is required. It is proposed that the strategic framework applied to the appraisal and definition of the R20 Wave 1 projects is used to continue to review the current projects' carbon impact and adopted and used to evaluate and prioritise subsequent waves of R20 opportunities and projects, expanding scope and reach beyond the projects approved by the Council in January 2021.

- 3.24 This will enable opportunities to be mapped to clearly identify which opportunities should be progressed in favour of others. Those opportunities that have both high attractiveness and high feasibility will be taken forward into subsequent waves in the portfolio. The portfolio of initiatives will be reviewed and updated regularly in the light of evolving information and developments. New initiatives may be added to the development portfolio, and existing ones dropped, in order to maximise the overall (economic and social) return on investment within the Council's affordability envelope.
- 3.25 Additionally, approval is also sought to undertake further work to define and confirm the role of the Council in its commercial approach to defining and delivering R20 portfolio.
- 3.26 Recognising that the Council has finite resources at its disposal and faces many more years of fiscal restraint, it is important to emphasise the role of the Council in delivering its net zero ambition whilst achieving a financially self-funding R20 team within 2 years. This will include:
- Consideration of a range of potential commercial opportunities from investment in existing ventures (for example Tyseley Energy Park), extending existing pilot and pathfinder initiatives (for example the hydrogen bus pilot, electric vehicle charging infrastructure), new and emerging initiatives/technology solutions (example new technologies for reducing energy demand, carbon capture) and generating efficiencies/cost avoidance.
 - Having investability as a focus when defining and packaging projects to attract investment. This will include taking an entrepreneurial approach by working with academia, other local authorities, industry and investors to invite their expertise in tackling common problems e.g. retrofitting existing housing stock across Birmingham.
 - Developing an appreciation and understanding of emerging market technologies capacities, capabilities, and trends and, through advocating the preferred options, secure interest from potential partners.
 - Managing risk at both a project level and a portfolio level, for example larger financial tolerances may be set at project level if the capacity for risk absorption at portfolio level is sufficient and projects that present a risk profile outside the specified tolerance will need to be paused until the risk profile can be reduced or terminated if the risks cannot be mitigated.
 - Creating the appropriate contractual framework for each project and programme, taking account of vendor operational commercial drivers and financial measures.

Adopting proactive partnership models with: SMART quantitative and qualitative measures and incorporating negotiated median and stretch R20 targets; and clarity around BCC obligations and vendor performance goals and measures.

- Active account engagement and management incorporating a shared approach to risk management.

4 Options Considered and Recommended Proposal

- 4.1 **Option 1- Do not approve the next stage business case** - This option would mean that the R20 team would not be appointed and that the mechanism for taking forward further work beyond the Wave 1 projects is uncertain. The incoming Assistant Director would not have sufficient support to deliver the Route to Zero programme and it would be unlikely that Birmingham would meet its net zero carbon ambitions.
- 4.2 **Option 2 – Approve an amended next stage business case** – the work presented is considered to offer the City Council the best way forward, both in terms of a team structure for progressing the Route to Zero programme, and a clear evaluation framework for evaluating future waves of projects. The team structure has been considered by officers and external consultants Inner Circle. Research has been undertaken to look at team structures in the other Core Cities and the structure has been discussed at the R20 Advisory Committee. It is considered that the team structure sets out to reflect the scale of the challenge, the need for organisational change and the diverse range of work that needs to be undertaken to achieve net zero carbon.
- 4.3 **Option 3 – Approve the next stage business case as set out** - it is considered that this is the best option because the next stage business case has been prepared drawing on expertise and best practice. The team structure identified is considered to be the most appropriate to address the scale and breadth of the challenge of achieving net zero carbon across Birmingham.

5 Consultation

- 5.1 Consultation has been undertaken with the Cabinet Member for Transport and Environment, the Leader of the Council, and the R20 Advisory Committee.

6 Risk Management

- 6.1 The Council has made a commitment for the city to become net zero carbon by 2030 or as soon thereafter as a just transition allows and climate change is a corporate priority. Not investing in a team to deliver this commitment risks carbon reduction not being achieved.
- 6.2 The provision of ongoing services by the R20 team is dependent on attracting external funding sufficient to cover all costs from 2023/24. Should it become apparent that the amount of funding available is insufficient, a decision will then need to be made on whether to:

- 6.2.1 Discontinue, or scale back the work of this team – giving rise to the risks highlighted in 6.1
- 6.2.2 Consider an alternative delivery model
- 6.2.3 Fund work of the team with General Fund or other applicable resources, potentially placing additional pressure on the revenue bottom line

7 Compliance Issues:

- 7.1 **How are the recommended decisions consistent with the City Council's priorities, plans and strategies?** The recommendations will position the Council to address climate change which is a corporate priority.

7.2 Legal Implications

- 7.2.1 The creation of the R20 Team will ensure that the Council has a dedicated team to deliver BCC work to reduce carbon emissions. The roles have been evaluated and job descriptions setting out the required targets and responsibilities will ensure that potential candidates are clear on the requirements of the role.
- 7.2.2 BCC must ensure that fair and consistent recruitment practices are followed in relation to the recruitment of these posts including; making sure that the interview panel is representative of protected characteristics including but not limited to gender, race, disability, application forms are anonymised so that candidates are selected for interview purely on the strength of their application and any unnecessary information/requests for data is removed from the application process. BCC's recruitment policies and procedures should be adhered to.

7.3 Financial Implications

- 7.3.1 The report seeks approval of the R20 Next Stage Business Case and associated creation of the R20 team. The team will consist of 10 posts including the Assistant Director Route to Net Zero Carbon, the transfer of 3 existing posts and the creation of 6 new posts as set out in Appendix 1.
- 7.3.2 The ongoing cost of the team will be self-funded through external grant funding sourced by the team.
- 7.3.3 The full cost of staffing the team is estimated at £816k pa including a 20% central support cost allocation and will be fully self-funding from 2023/24. In addition to staff costs, as per table the below, there are non-staff costs in the first 3 years relating to pump priming and consultancy support.
- 7.3.4 A staffing budget attached to one of the posts being transferred into the R20 team is available to fund the new team structure.

7.3.5 Approval is sought in this report to apply resources from the Financial Resilience Reserve to fund the balance of team costs in 2021/22 and 2022/23 whilst self-funding arrangements established.

7.3.6 There are no funding requests for delivery of the Wave 1 projects within this report. The financial case for the delivery of individual R20 projects in the portfolio will be developed on a case-by-case basis including consideration of financing options, managing risks effectively and affordability with the expectation of the portfolio being financially self-sustaining in the long term. Further reports will be progressed for specific funding in respect of delivery of these projects.

7.3.7 The table below provides a high-level summary of the costs of the R20 team:

Spending Requirement & Funding Statement				
	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000
Costs:				
Staff	208	816	816	816
Non-Staff	60	210	90	0
Total Costs	268	1,026	906	816
Funding:				
Existing Budgets	18	70	0	0
Financial Resilience Reserve	250	956	0	0
Grants and Other External Funding	0	0	906	816
Total Funding	268	1,026	906	816

7.4 Procurement Implications (if required)

7.4.1 No implications.

7.5 Human Resources Implications

7.5.1 Recruitment to the Route to Zero team will be in line with Birmingham City Council's Recruitment and Selection process. In agreement with Birmingham City Council's commitment to mitigate where possible against compulsory redundancy, in the first instance, job opportunities will be made available to employees at immediate risk of compulsory redundancy. There are no implications to existing employees apart from a possible change in line management.

7.6 Public Sector Equality Duty

7.6.1 The Route to Zero Next Stage Business Case has being prepared in line with Section 149 of the Equality Act 2010 in ensuring that public bodies, in the exercise of their functions, have due regard to and consider the needs of all individuals in shaping policy.

8 Appendices

- Appendix 1 – Detailed Finance Table
- Appendix 2 - Route to Zero Next Stage Business Case
- Appendix 3 – Equality Analysis

9 Background Documents

9.1 Council Report - January 2021 - [Decision Details: Route to Zero report \(cmis.uk.com\)](https://cmis.uk.com)

Appendix 1 – Detailed Finance Tables

Table 1 – Detailed Team Costs

		Costs Breakdown (£000's)				Comment
		2021/22	2022/23	2023/24	2024/25	
Staffing Costs	Grade					
Assistant Director	JNC	38	142	142	142	Recruitment Complete
Portfolio Manager	6	18	73	73	73	New Post
Specialist Energy Manager	6	21	83	83	83	Existing Post (unfunded)
Principal Carbon Policy Officer	5	16	65	65	65	Existing Post (unfunded)
Principal Energy and Sustainability Officer	5	15	58	58	58	Existing Post (funded)
Principal Portfolio Officer	5	15	58	58	58	New Post
Principal Behavioural Change and Engagement Officer	5	15	58	58	58	New Post
Principal Finance and Bid Officer	5	15	58	58	58	New Post
Assistant Portfolio Officer	3	9	36	36	36	New Post
PA to Assistant Director	4	16	46	46	46	New Post
Full Year Staffing Cost		173	680	680	680	
Non-Staffing Costs						
Pump Priming		25	75	0	0	£100k one-off cost straddling two financial years. £75k in first full financial year.
Consultancy		25	100	75	0	
Annual Cost (2022/23)		223	855	755	680	
<i>Less:</i>						
Funded Establishment Post		15	58	0	0	
Additional Base Annual Cost		208	797	755	680	
<i>Plus:</i>						
Central Support Costs at 20%		42	159	151	136	
Additional Total Annual Cost		250	956	906	816	
		Funding Breakdown (£000's)				
Financial Resilience Reserve		250	956	0	0	
Grants and Other External Funding		0	0	906	816	
Total Funding Requirement		250	956	906	816	