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**Corporate Services, Climate Change and  
Scrutiny Management Committee**

**11 December 2023**

Report of the Assistant Director of Policy and Strategy

**Net Zero Fund Update**

**Summary**

1. As part of the Mayoral Combined Authority devolution deal for York and North Yorkshire ('the MCA'), a £7m Net Zero Fund was established. This fund enables the development and delivery of net zero projects, supporting the ambition to be a carbon negative region.
2. This report provides information on the application process, projects submitted by City of York Council ('the Council'), the outcome of the evaluation and the next steps.
3. In total, £3m of funding has been allocated to the Council for 3 development projects and 4 delivery projects. These projects are:

Development

- Harewood Whin Green Energy Park
- Elvington Lane Solar
- North Wigginton Wind

Delivery

- LED Council Commercial Buildings
- LED Street Lighting
- Renewable Heating – Honeysuckle House
- Renewable Heating – Alex Lyon House

4. Projects will be delivered between January 2024 – March 2025.

## **Background**

5. On 1 August 2022 a Devolution Deal between the Government and the Local Authorities of York and North Yorkshire was announced. This included the proposal to establish a York and North Yorkshire Mayoral Combined Authority.
6. As a Mayoral Combined Authority, the York and North Yorkshire Combined Authority was awarded £7million of funding across 2023/24 and 2024/25 to enable the area to drive green economic growth towards our ambitions to be a carbon negative region.
7. The £7million Net Zero Fund enables the development and delivery of net zero projects, aligned with York and North Yorkshire's Routemap to Carbon Negative.
8. The Net Zero Fund includes £1m of revenue funding and £6m of capital funding. The revenue funding supports the development of net zero projects, and the capital funding enables the delivery of net zero projects.

## **Project Development Fund**

9. The £1m revenue fund will build an investible pipeline of projects that make a significant contribution to delivering net zero, energy security and economic growth. The fund supports project scoping, community engagement, feasibility studies and business case development.
10. Grants were available to public and private sector bodies operating within York and North Yorkshire, for developing local net zero projects for communal or public benefit. This includes Local Authorities and other public sector organisations, Community Groups, Charities and Businesses.
11. The funding covers revenue expenditure only and will fund a range of interventions that support net zero project development up to business case stage. Eligible revenue expenditure includes: Project scoping, Community engagement, Feasibility studies and Business case development.
12. The Fund contributes to the overall ambition for York and North Yorkshire to be a carbon negative economy. Projects will deliver on one

or more strategic priority within York & North Yorkshire's Routemap to Carbon Negative, across: Power, Heat & Buildings, Transport, Business & Industry, Land Use, Agriculture & Marine. The York Climate Change Strategy aligns with the regional strategic objectives and projects were also assessed against the Council's local strategy.

### **Project Delivery Fund**

13. The £6m capital fund enables the delivery of net zero projects that otherwise would not happen. Projects support the implementation of York and North Yorkshire's Routemap to Carbon Negative, York's Climate Change Strategy, and the North Yorkshire Council's Climate Change Strategy.
14. Grant funding was available to public and private sector bodies within York and North Yorkshire to deliver local net zero projects for communal or public benefit (subject to the production of a strong and green-book compliant Business Case). Bodies include: Local Authorities and other public sector organisations, Community Groups, Charities and Businesses.
15. The funding covers capital expenditure only and will fund a range of interventions that unlock the delivery of net zero projects that otherwise would not happen. Eligible capital expenditure covers: Installation of renewable energy generation, Grid connection, On site infrastructure, Low carbon equipment / machinery, Capacity to support any of the capital delivery activity detailed above where it is directly attributable to the creation or maintenance of a capital asset.
16. The Fund contributes to the overall ambition for York and North Yorkshire to be a carbon negative economy. Projects will deliver on one or more strategic priority within York & North Yorkshire's Routemap to Carbon Negative, across: Power, Heat & Buildings, Transport, Business & Industry, Land Use, Agriculture & Marine.

### **Timetable**

- Launch of net zero fund – 3 January 2023
- Closing date for delivery fund expressions of interest – 30 January 2023
- Closing date for development fund applications – 6 February 2023
- Shortlisting of prioritised delivery fund proposals – 24 February 2023

- Delivery fund ‘Full Business Case Submission’ – 1 March to 28 April 2023
- Approval – October 2023
- Funding Available – January 2024
- Projects completed by March 2025

17. The net zero fund launched on 3 January 2023, with the Net Zero Fund Prospectus<sup>1</sup> setting out the details of the process.

18. In January, a long-list of 21 potential Council projects was identified with support of the Corporate Management Team (CMT). This long-list of projects was assessed and scored against the following criteria:

- Deliverability
- Carbon Impact
- Public Benefit
- Value for Money
- Additionality for Public Funding
- Risks
- Strategic Alignment
- Financial Benefit
- Council Priority

19. Following the assessment, 12 projects were submitted at Expression of Interest stage, with 9 projects not being taken forward. Those projects that were not progressed and the explanation for this are provided below:

Project	Explanation
Housing Delivery Programme – Post occupancy monitoring	Limited financial benefit and undeliverable within project timescales
Coney Street environmental uplift (Design Guide)	Limited financial benefit. Limited case for public sector intervention
HyperHub 4	Funding identified from other sources
Harewood Whin Green Energy Park - Delivery	Undeliverable within project timescales
Residential fast chargepoints	Limited financial value. Challenging to deliver within project timescales
Park & Ride charging upgrades	Limited financial or public benefit. Challenging to deliver within project timescales
York Leisure Centre &	High level of risk and unable to deliver within

Stadium PV	project timescales
York Central commercial building conversion projects	Limited financial benefit for the council. Limited case for public sector intervention
Network Reinforcement	Outside remit of the Council. Discussions with DNO about future reinforcement requirements

**Table 1: Projects that were not progressed to Expression of Interest with explanation**

20. At Expression of Interest, two projects were rejected. These projects were:
- a. Garden Village decarbonisation plan – the case for public sector intervention was not strong enough;
  - b. York Sports Club Energy Savings (Feasibility) – too limited in scale and scope.
21. Prior to full application, one project was removed by the Council due to cost inflation impacting value for money. This project was heat-pump and battery storage installation for Council owned properties.
22. 9 projects were subsequently submitted as full applications. 7 were successful, with 2 being rejected. The rejected projects are listed below:
- a. York Central: Commercial use environmental uplift (Design Guide) – the case for public sector intervention was not strong enough;
  - b. Food Loss & Redistribution – high level of uncertainty with in-kind contributions and delivery risk.
23. The full list of successful projects, funding levels and stated outputs/outcomes is presented below:

Project	Funding	Outputs
Elvington Lane Solar Scheme (Feasibility)	£50,000	Feasibility Study for potential additional 30MW capacity of renewable generation and annual carbon savings of 1,730 tCO <sub>2</sub> e
Onshore wind north of Wigginton (Feasibility)	£50,000	Feasibility Study for potential additional 2MW capacity of renewable generation and annual carbon savings of 300 tCO <sub>2</sub> e.
Harewood Whin Green Energy Park (Planning and Business Case)	£243,500	Full Business Case for potential additional 32MW capacity of renewable generation and annual carbon savings of 8,308 tCO <sub>2</sub> e by

		2040
Alex Lyon heat decarbonisation	£1,050,611	Saving 29tCO <sub>2</sub> e per year; 50% reduction in energy bills; 100% of heating and water provided from renewable sources; 27 homes achieving EPC C; 27 homes connected to communal heating system
Honeysuckle House heat decarbonisation	£843,788	Saving 22tCO <sub>2</sub> e per year; 50% reduction in energy bills; 100% of heating and water provided from renewable sources; 35 homes achieving EPC C; 35 homes connected to communal heating system
CYC Lighting Upgrades	£352,282	Saving 74tCO <sub>2</sub> e per year; Reduced energy usage by 0.25MWh per year; 15% of lighting replaced with LED
LED Street Lighting	£354,028	Saving 6tCO <sub>2</sub> e per year; Reduced energy usage by 33,000kWh per year.

**Table 2: List of approved projects, level of funding and expected outputs/outcomes**

## **Next Steps**

24. Following the decision by the Joint Committee on 23<sup>rd</sup> October 2023, the funding is now subject to the agreement of a programme business case by the Department for Levelling Up, Housing and Communities (DLUHC). This business case has been submitted and a decision is expected shortly. Following this, formal offer letters will be issued along with the funding agreements.
25. A formal funding agreement will be put in place for each project. The funding agreements will be developed to address any potential legal issues arising. All shortlisted projects will be required to submit a UK Subsidy Control Assessment before receiving funding to ensure compliance.
26. Any delays to the formal offer and funding agreements will add delivery risk to the projects for completion by the end of March 2025.

## Consultation

27. Internal consultation has been undertaken with the internal Climate Change Programme Board, Devolution Working Group and Corporate Management Team.
28. The Local Area Energy Plan (LAEP) was scrutinised by the Climate Emergency and Policy Scrutiny Committee (since decommissioned) in December 2022.
29. In October 2023, the LAEP has also been the basis of an Energy Hackathon, with partners, energy suppliers and innovators invited to explore how to accelerate delivery of renewable energy generation across the city and North Yorkshire.

## Options

30. No options are presented in this report.

## Council Plan

31. Projects described in this report directly contribute to delivering Council Plan 2023-2027 Four Core Commitment covering **Climate** and the Environment with priority actions:
  - Reduce energy consumption and generate more local sources of renewable energy.
32. The content of this report supports the ambitions of the York Climate Change Strategy 2022-2032, and directly aligns with the objectives to:
  - a. Improve energy efficiency of existing buildings
  - b. Build strong relationships and networks
  - c. Move away from fossil fuel heating systems
  - d. Grow the green economy
  - e. Increase resilience to climate risks
  - f. Increase renewable energy generation
33. The Local Area Energy Plan sets out the opportunities for York and North Yorkshire to decarbonise the energy system and identifies priority projects which formed part of the Council's Net Zero Fund application.

## Implications

- **Financial** – Unlike a number of external funding streams, the net zero fund will not require match funding to be provided by the council so if successful the grant funding can be incorporated into currently approved revenue and capital budgets. Some of the schemes proposed do provide direct financial benefit by reducing council energy costs whereas others have the opportunity to provide income streams. Individual business cases have been produced for each of the delivery projects.
- **Human Resources (HR)** - Any recruitment required will follow existing HR procedures as agreed prior to the Mayoral Combined Authority becoming established.
- **Equalities** – no direct impact from the net zero fund application and grant. Equalities impacts will be considered within each project.
- **Legal** - A Grant Agreement is not yet available to review. Any funding is subject to acceptance of terms within the Grant Funding Agreement and will need to be reviewed by legal once available.
- **Crime and Disorder** – no implications
- **Information Technology (IT)** – no implications
- **Property** – Projects will have a benefit to Council buildings and reduce energy consumption.
- **Other**

## Risk Management

34. Additional Council capacity will be required to deliver the projects. The funding for this capacity is included within the Net Zero Fund applications.
35. Any delays to the formal offer and funding agreements will add delivery risk to the projects for completion by the end of March 2025.
36. Individual project delivery risks have been identified within the business cases and project plans.



## Recommendations

37. No recommendations are made in this report.

## Contact Details

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Report  
Approved



Date 29/11/2023

### Wards Affected:

All

For further information please contact the author of the report

### Background Papers:

October 2023 Joint Committee Net Zero Funding  
<https://edemocracy.northyorks.gov.uk/documents/s23853/Report%20-%20Net%20Zero%20Funding.pdf>

December 2022 Climate Emergency and Policy Scrutiny Committee Local Area Energy Plan [Agenda for Climate Emergency Policy and Scrutiny Committee on Tuesday, 13 December 2022, 5.30 pm \(york.gov.uk\)](#) item 17

## Annexes

None

## Abbreviations

CMT – Corporate Management Team  
CO<sub>2</sub>e – Carbon Dioxide equivalent.  
EPC – Energy Performance Certificate

LAEP – Local Area Energy Plan  
MCA – Mayoral Combined Authority