



Cities
Commission
For Climate
Investment

Impact Acceleration Report 1

Unlock Private Investment for Net Zero – A Practical Guide for Local Authorities

October 2022



A Connected Places
Catapult Initiative

CATAPULT
Connected Places

CORECITIES

**LONDON
COUNCILS**

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By the end of reading this guide you will:

- Have a set of tools to identify capability gaps
- Know some practical ways to bridge those gaps
- Know about the different ways 3Ci might be able to support you into the future
- Ultimately, make progress towards unlocking private sector investment for your Net Zero initiatives.

We want to support you to unlock the long-term finance you need to achieve Net Zero.

We are here to Help

3Ci seeks to leverage the distributed and combined scale of cities to mobilise finance and drive investment into low and Net Zero carbon projects across the UK.

3Ci was founded by the Connected Places Catapult, London Councils and Core Cities UK. We are creating a wider partnership, including UK Government, Innovate UK, Metro Mayors, Combined Authorities, Scottish and Key Cities, Counties and Districts and a growing league of private investors, financiers, advisors, developers and built environment technology professionals.

As part of this programme, 3Ci commissioned TPXimpact to explore local authority capability to draw in investment for Net Zero.

This guidance provides you with some of the findings. Page 8 shares some wider recommendations on what more 3Ci can do to support development of capability.

To learn more about 3Ci, contact: **3Ci.org.uk**

You are ...

Working in a local authority, and you are thinking about how you meet Net Zero targets, improve the lives of your residents, and contribute to creating resilient communities.

You want to ...

- improve the viability of Net Zero initiatives
- unlock private sector investment
- innovate inclusively
- develop sustainably

and to do this you need to ...

- develop the business case to invest in upskilling, new capabilities and resource mobilisation.

In Context

In this guide we're focusing on some new approaches to funding Net Zero projects, but we know it is just one part of a bigger programme.

There are other ways to fund Net Zero

This guide focuses on private investment, particularly using blended financing models.

If you are interested in exploring different types of financing models in parallel sectors, check out the [HUB-IN Business & Financing Models Guide](#). This guide focuses on funding heritage-led regeneration.

Connected Places Catapult's Place Leadership Programme

Alongside partnering in 3Ci, Connected Places Catapult has a [Place Leadership Programme](#) which creates partnerships to bridge the gap between buyers, suppliers, innovators and industry, helping place leaders and their partners to implement new solutions which enable clean, innovation-led levelling up.



What does Good look like?

We want to develop a replicable model for the design, funding and delivery of Net Zero projects that secures private sector investment. This approach is **place-based, portfolio-driven** and draws on **blended-finance**.

Here are six aspects of the 3Ci model for local authorities to unlocking investment that TPX impact identified as most relevant.

Local authority initiated – We use our statutory levers and our resources to mobilise our own organisation and others behind our Net Zero ambition.



Align with the wider system – We consider the system we operate within. We know our local suppliers and contributing third party organisations. We facilitate these groups to work together to deliver on one Net Zero ambition.

Place-based – We deeply understand our place, and are responsive to the community, geography and local needs in our portfolio design.

We implement at neighbourhood level.



Community as partners – We engage our communities as partners, ensuring what we deliver is done with them, not to them.

Portfolio driven – We increase profitability of collective interventions by organising Net Zero projects into portfolios, whilst reducing financial overheads and increasing social and environmental outcomes.



Blended finance – We blend a range of financial sources to fund our Net Zero portfolios. We standardise tools and templates to de-risk projects portfolios and attract private investment.

Barriers and Implications for Local Authorities

In researching this report with councils and local authorities, one of the things we learned is that most councils are not currently set up to apply this model to their existing Net Zero projects. Moving to this model to develop portfolio and place-based Net Zero neighbourhood programmes, will require changes to how councils both work and plan.

The barriers to implanting the model broadly align to three themes, with a set of corresponding implications:

Mindset

There are cultural and mindset shifts that will be required by councils in order to implement the model and embed it within their way of working.

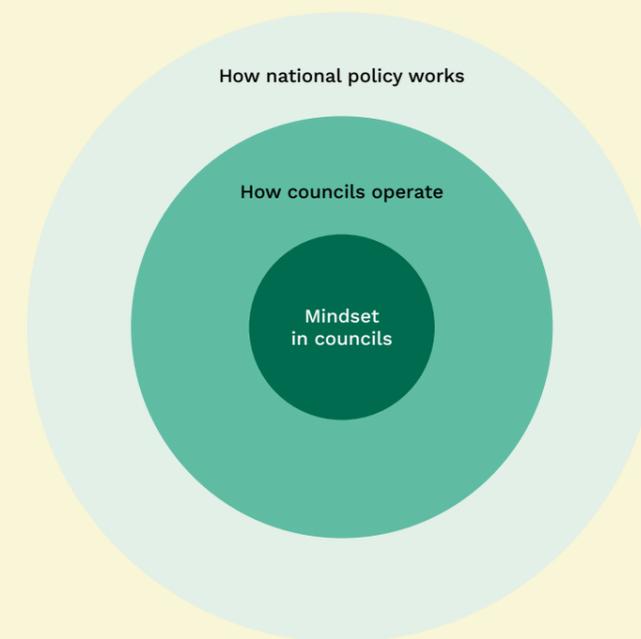
How councils operate

Councils are organisations with financial and legislative limitations. These limitations may prevent or hinder a council from implementing models to unlock private finance. Some of these limitations will be in the control of a local authority, others will be shaped by national policy.

How national policy works

National policy is not currently set up to support this model, and some pieces of national policy will prevent or hinder a council from working in this way.

This report does not consider national policy.



What Capabilities are Needed to Unlock Private Sector Investment?

We found ten distinct capabilities that are required to unlock private sector investment for Net Zero (the 3Ci model).

Seven of the capabilities are well developed in support of Net Zero, but may need reframing in the context of identifying and securing project, programme and portfolio finance.

The remaining three are less well developed both in relation to Net Zero and to securing investment.

<p>32 Policy and strategy</p> <p>1 Ability to translate national and local policy into actionable strategies that align the climate, environmental, social and economic outcomes the council is aiming to achieve with the available Net Zero interventions.</p>	<p>2 Project identification and qualification</p> <p>Ability to identify and prioritise the types of Net Zero interventions that are suitable to a place, aligned to strategy & policy and establish their feasibility in order to deliver carbon, environmental and social outcomes.</p>	<p>3 Supply management and procurement</p> <p>Knowledge and understanding of the different Net Zero suppliers available in the local, national and international market. The ability to compare strengths and drawbacks of these suppliers and then work effectively with them over the delivery period.</p>	<p>4 Scenario modelling</p> <p>Ability to develop models that can test the profitability and impact (environmental, economic, social and health) of different Net Zero portfolio scenarios. Models should be able to account for variables such as homeowner uptake, supplier costs, finance requirements etc.</p>	<p>5 Portfolio development</p> <p>Ability to combine Net Zero interventions into a portfolio, understanding the financial modeling to create an investable proposition, which will lead to desired outcomes and deliver ROI for investors.</p>
<p>6 Investor engagement</p> <p>Ability to understand the needs of, and risks involved with, different investors, perform due diligence and effectively negotiating investment deals and contracts with them.</p>	<p>7 Project delivery</p> <p>The skills to deliver several capital transformation projects, or to project manage the delivery of a range of suppliers delivering multiple projects in parallel on our behalf.</p>	<p>8 Community engagement</p> <p>Structures, skills and capacity in place for collaborative working between the council and communities at a street / neighbourhood level, which enables these communities to meaningfully shape, and on occasion, drive decision making related to their place.</p>	<p>9 Net Zero reporting</p> <p>Data, systems, and skills to be able to continuously capture data against carbon, environmental, economic, social and health metrics and report/monitor this in a consistent way within neighbourhoods and across wider places.</p>	<p>10 Neighbourhood upkeep</p> <p>The ability to upkeep Net Zero interventions in a neighbourhood to ensure continued effectiveness, either through continuous supplier management or as a service delivered by the council.</p>

Six Steps to Building Capability



To properly embed the model, we believe that 3Ci should provide some central support. There are, however, six steps that councils could take to

implement the 3Ci model independently. In the next few pages, we're going to go through recommendations of how you can start to achieve this.

- 1 Identify your role**

Consider the role that your authority is best placed to play. See next slide. Do your strategies and action plans align to that?


- 2 Score yourself**

Use the capability descriptions in this document to score yourself against each capability and understand where gaps might exist. See the annex to this document.


- 3 Bridge the gap**

Not all capabilities have to come from the council, they may be held by others in your local ecosystem. What investment can you make, or partnerships can you build to fill those capability gaps?


- 4 Find a first opportunity**

Review your climate action plans, and critically assess which of these opportunities may have a potential revenue stream. Prepare a prospectus that outlines the opportunity.


- 5 Begin the conversation**

Investors may be willing to engage with you before you have every level of detail worked out. Reach out to some with a high-level prospectus. Work with these investors to develop the offer.


- 6 Learn and build**

Take your learnings from these conversations. Use it to identify further investment opportunities, start to think about aggregating opportunities together.



Step One



What role do you want to play?

Councils vary in terms of their statutory duties, capabilities, assets, resources, and the communities they serve. These variables influence the ability of a council to unlock private sector investment (the 3Ci model). This model has been produced on the assumption that a council will own the end-to-end

responsibility for its delivery. However, if they cannot perform some of these functions, there are several other roles they can play if they want to initiate a 3Ci model. These roles are not mutually exclusive, and a council can play any number of combinations.



Alternative roles

<p>The asset owner An authority which has core assets it can contribute to the 3Ci model. These may come in the form of council estate, social housing, infrastructure or land. These assets can form part of the areas of transformation in the 3Ci model.</p>	<p>The broker An authority which holds a range of relationships, possibly with investors, suppliers, businesses or the community. The council can use these relationships to bring together the necessary parties to broker a 3Ci model.</p>	<p>The enabler An authority which has mature capabilities in analysis and/or has mechanisms or frameworks it can bring to bear such as procurement or project identification processes. Capabilities such as these can be used to enable planning of a 3Ci model, and support delivery.</p>	<p>The deliverer A delivery authority might deliver the 3Ci model itself, or procure others to do so on its behalf. It takes responsibility for delivery because it holds statutory responsibility on planning. It may or may not own the relevant assets, but it leads the way on carrying out the work.</p>
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What capabilities do you need to deliver these roles?

The role that a council chooses to play will determine the capabilities that they require. The below outlines how capabilities in the framework align against these different roles.

Baseline capabilities to initiate the model

Regardless of the role a council chooses to play, all councils initiating the 3Ci model will need the ability to create Net Zero strategies aligned to place and to identify and qualify projects. Without these capabilities, a council cannot initiate the model.

01. Policy and strategy

02. Project identification and qualification

Capabilities against roles

The below outlines the capabilities a council requires to play a particular role. Importantly, all capabilities are required to deliver the model. Therefore, where a council takes on a particular role, it must consider where the other capabilities will be delivered from.

<p>The asset owner Asset Owners do not necessarily have to have skills outside of owning assets and procuring services:</p> <p>03. Supply management and procurement</p>	<p>The broker The broker is likely to have novel capabilities that other councils can leverage including:</p> <p>04. Scenario modelling 05. Portfolio development 09. Net Zero reporting</p>	<p>The enabler The enabler is responsible for bringing people to the table, as such will require:</p> <p>06. Investor engagement 08. Community engagement</p>	<p>The deliverer The deliverer is responsible for delivery of Net Zero interventions in a place, their upkeep and reporting. Capabilities include:</p> <p>03. Supply management and procurement 07. Project delivery 10. Neighbourhood upkeep 09 Net Zero reporting</p>
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Step Two



Self-assess your capabilities

Identify the:

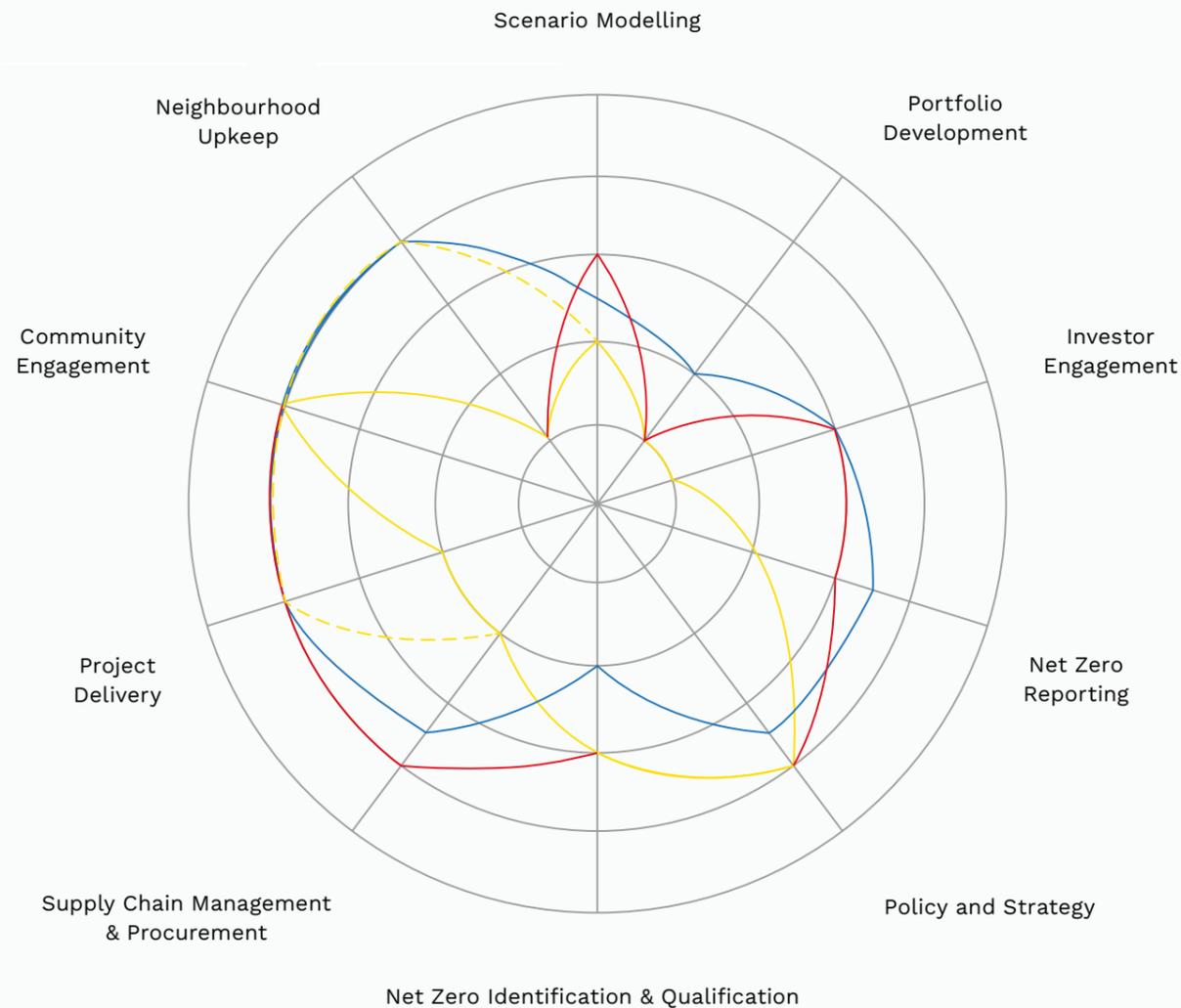
Capabilities you already have and are using in the Net Zero context.

Capabilities that you are using in other areas that you can reframe in the context of the 3Ci model.

New capabilities which you need to develop.

Turn to the appendix for more details on each capability.

You can do your own capability assessment by scoring your organisation on a spectrum from: emerging capability **(1)** – developing capability **(2)** – maturing capability **(3)** – thriving capability **(4)** – exceptional capability **(5)**



<p>Policy and strategy As a local authority, how well can you translate data and policy into actionable strategies that align climate interventions to Net Zero targets? To reframe – these strategies now need to be adapted to integrate place based approaches to delivery.</p>	<p>Project identification and qualification Do you have governance around project qualification? How much do you struggle to know what to prioritise according to carbon impact? To reframe – you need to advance your modelling capabilities to decide where to focus the sourcing of private sector investment.</p>	<p>Supply chain management and procurement How advanced are your procurement mechanisms and do you have working relationships with local and national suppliers and contractors? To reframe – you now need to play a convening role, bringing different organisations together to deliver a single approach.</p>	<p>Project delivery How experienced are you in delivering Net Zero interventions, especially and largely on your own estates? To reframe – you need to build capability to deliver across a larger portfolio of interventions, particularly retrofit.</p>
<p>Investor engagement How well do you engage investors in your Net Zero work, and have you generated private sector investment in your Net Zero projects?</p>	<p>Community engagement How experienced are you in actively engaging communities around Net Zero? To reframe – you now need to think of scale of engagement, and how to engage residents as partners shaping your approach to unlocking finance.</p>	<p>Neighbourhood upkeep How experienced are you in the upkeep of Net Zero interventions? Is this largely done with the support of external contractors? To reframe – you need to embed upkeep as an essential part of project development and across multiple interventions and asset owners.</p>	<p>Net Zero reporting How well can you can track carbon data across larger geographies and how experienced are you reporting on emissions for your own estate? To reframe – you now need to think about how you can embed neighbourhood level reporting across related environmental, social and health outcomes.</p>
<p>Scenario modelling How well can you model and assess different investment scenarios according to type of interventions?</p>		<p>Portfolio development How well can you develop investment portfolios/prospectuses for your Net Zero propositions?</p>	

Step Three

Bridge the gap



Once you have identified the gaps in your own capability, start to identify opportunities to reframe or reuse the skills and capabilities you already have in other parts of your organisation, and start to look for ways you can plug the gaps where those capabilities don't currently exist.

Not all capabilities have to come from you as the local authority. Capabilities may be held by others in your local ecosystem.

Ask yourself:

- What investment can you make, or partnerships can you build to fill those capability gaps?
- How can you map the capabilities that exist outside of your organisation?
- How can you make a case for building partnerships and convening your ecosystem?

Try a stakeholder mapping exercise to review relevant stakeholders – if you are acting as the 'brokerer' for example, identify who in your region the enabler might be.

Once you've mapped your stakeholders and reviewed actions, re-do the capability assessment – identify what's changed and who else you might need to bring in.



Step Four, Five and Six



Make things happen

Find a first opportunity

Review your climate action plans, and critically assess which of these opportunities may have a potential revenue stream. Prepare a prospectus that outlines the opportunity.



Begin the conversation

Investors may be willing to engage with you before you have every level of detail worked out. Reach out to some with a high-level prospectus. Work with these investors to develop the offer. It's always helpful to start by investigating investors' ways of working, motivations and expectations.



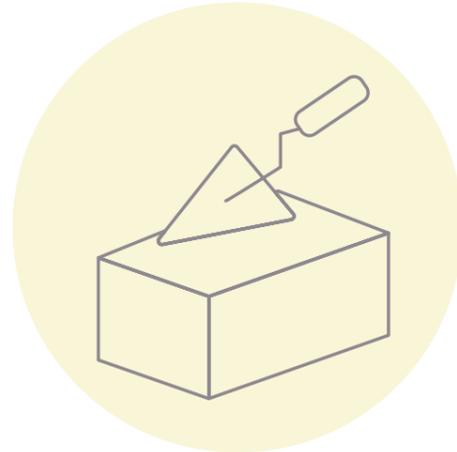
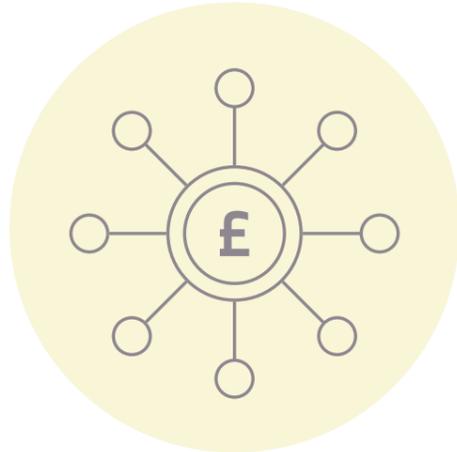
Learn and build

Take your learnings from these conversations. Use it to identify further investment opportunities, start to think about aggregating opportunities together.



A City Council Scenario

Meet Bilsbury City Council



The scenario

Bilsbury is an urban city council that forms part of a wider Combined Authority. The city has high population density, is the 6th most populous city in the UK and has pockets of both wealth and relative poverty within the city.

As a city council, Bilsbury has a large estate with a mix of libraries, social housing, community centres and council buildings. The council has started work itself to decarbonise its buildings in line with its Net Zero strategy, but is yet to fully go to Net Zero. It also has plans to influence decarbonisation of the wider city but does not have the money to deliver it.

The council has a wide range of statutory duties. It is responsible for planning, the cities capital programme, waste, and energy. It also works within its combined authority on transport for the greater city region.

Where they add value

As a council seeking to implement the model, Bilsbury brings the following to the table:

- ample assets that it contributes to the model
- history of delivering Net Zero projects and the capacity internally to deliver them
- control over waste, energy and planning to increase the attractiveness of the proposition
- procurement frameworks in place with suppliers and contractors that can deliver Net Zero interventions and upkeep the estate.

Roles they can take in the model

Given the above, Bilsbury is in a very good position to take on the Asset Owner and Deliverer roles in the model.

What else they need to do

Bilsbury does not currently have the full capability to implement the model. It lacks scenario modelling and investor engagement capabilities. To pursue the NZN approach, the council will need to draw on others in the system. They could do this by:

- engaging in a partnership with their Combined Authority which may have these capabilities at hand
- engage with other local organisations including universities that may have more advanced modelling capabilities
- procure some of this capability from a consultancy or a contractor while gradually building out the capability in house
- work with residents, businesses and others to bring other assets into the NZN

Shifting to a Net Zero Model

Meet Grently County Council



The scenario

Grently is a county council. It has both urban and rural areas within its boundaries.

As a county council, Grently owns none of its own housing stock which is run and managed by district councils. It has a handful of council buildings, but its estate is modest.

Grently declared a climate emergency in 2019, and has since developed a climate capability team. This team largely focuses on engaging the local community, including businesses and parishes, to influence their response to the climate emergency. Because of this, they have quite strong ties to local communities.

Grently have also developed some relations with investors from previous pieces of work where they have tried to attract investment into the county.

Where they add value

As a council seeking to implement the model, Grently brings the following to the table:

- strong community ties and a history of engaging these groups on climate change. This gives an ability to bring different asset owners (particularly home-owners) to the table
- some capability in scenario modelling and portfolio development
- ability to align the district councils on vision and priorities
- strong relations with investors that could be leveraged to fund the model.

What else they need to do

As a county council, Grently does not have strong capability in developing or delivering big capital or Net Zero projects. As such, it will rely on partners for the delivery of projects.

If Grently chooses to implement this model without building out these capabilities, they could:

- partner with their district councils who likely have a wider estate and more history delivering Net Zero projects or capital works
- engage contractors who can own and run the full delivery of Net Zero projects within portfolios that they deliver.

Looking to the Future

This report outlines some of the ways you can start building the capability to unlock private finance independently. 3Ci has the tools and skills to help you with this process.

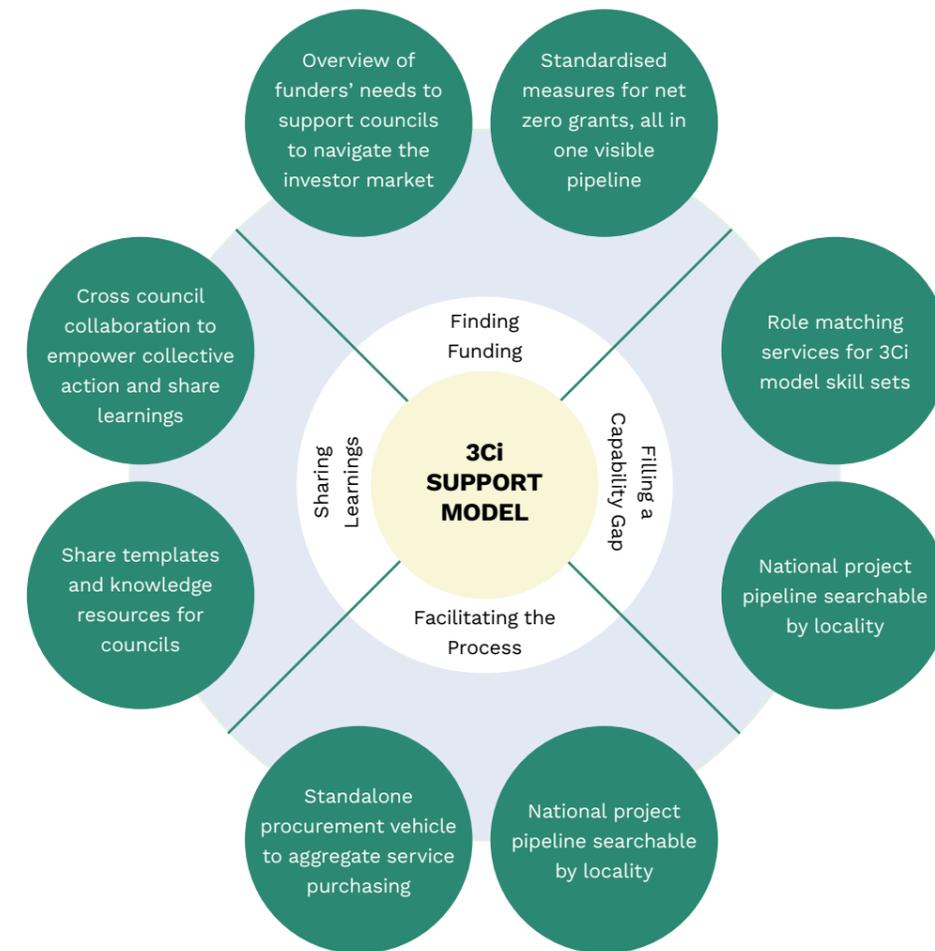
We are developing an outcome-driven model and can help your local authority in the following ways;

Finding funding – 3Ci could support you to identify public and private funding opportunities for your Net Zero portfolios.

Filling a capability gap – 3Ci could establish targeted ways to address some of the capability gaps that you experience.

Facilitating the process – 3Ci could deliver part of the process on behalf of you, where this makes sense.

Sharing learnings – As the model is implemented and iterated, 3Ci could facilitate learning across local authority experiences.



To learn more about 3Ci and our upcoming opportunities to trial the model check out:

3Ci.org.uk

Contact: contact@3ci.org.uk

Interested in similar tools to help you innovate in places?

Check out:

- **Net Zero Navigator** – A tool to support local authorities plan Net Zero programmes
- **The Net Zero Go Knowledge Library** by the Energy Systems Catapult
- **HUB-IN** – tools for heritage-led regeneration
- **Hubs of Innovation** – a practical guide to key issues in innovation locations



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