

To: Future Oxfordshire Partnership
Title of Report: Oxfordshire LAEP Outline Business Case
Date: 30 July 2024
Report of: Mark Saunders – Energy Systems and Investment Manager
Status: Open with Exempt appendix

Executive Summary and Purpose:

The governance structure established under FOP to drive forward the agreed Oxfordshire Net Zero Route Map and Action Plan priority for Oxfordshire to have a Local Area Energy Planning function has produced an Outline Business Case for Local Area Energy Plans (LAEPs).

This report references the final version of the Oxfordshire LAEP (OxLAEP) Programme Scope. The Scope captures the subsequent development of the agreed themes following the early market engagement exercise with the main LAEP contractors in January and February 2024 and ongoing discussions amongst the Oxfordshire local authorities and consultation with the OxLAEP Energy Planning Working Group (EPWG) and Executive Steering Board. The Scope is the basis for the Outline Business Case which sets out the case for the additional funds required to deliver LAEPs as set out in the Scope.

This report introduces the OxLAEP Outline Business Case (OBC). The OBC sets out 4 options for the OxLAEP Programme based on different approaches that either deliver some, or all of the Scope requirements. The recommended option 4 seeks £600k from the FOP Housing and Growth Deal Capacity Fund to develop LAEPs and an ongoing LAEP Function, with a stretch target for delivery of a portfolio of investable projects as part of an agile investment programme. Option 4 is dependent upon staff resource requirements from the Districts. As a result, this option also includes flexibility for varying levels of District Council engagement via a proposed stage gate process as well as other measures to mitigate risks related to resource requirements.

The OxLAEP tender process is dependent upon agreement of option 4 and is scheduled to start on 31 July. As a result, some commercially sensitive information has been redacted from the OBC to ensure the procurement process is not compromised.

How this report contributes to the Oxfordshire Strategic Vision Outcomes:

1. To deliver the outcomes of the Vision, six overarching workstreams have been developed of which two of these relate to this report, these are.
 - Oxfordshire Net Zero Route Map and Action Plan
 - Spotlight on supply and sustainability of energy

2. LAEPs as proposed in the report also have strong links to the soon to be revised Oxfordshire Infrastructure Strategy (OxIS).
3. LAEPs are a key step in understanding the proposed energy infrastructure and related projects required across the county for FOP's Good Growth outcomes and Strategic Vision to be realised.

Recommendations:

1. Agree Option 4 of the Outline Business Case including the suggested mitigations related to District Council resource requirements. The OBC has already been approved by the OxLAEP Executive Steering Board (ESB) on 17 May, Executive Officer Group (EOG) on 30 May, Chief Executives on 3 June and FOP Infrastructure Advisory Group (IAG) on 6 June. EOG made one suggested amendment to the OBC in relation to ensuring network and grid connection constraints don't impair Oxfordshire's contribution to national innovation and economic development. Chief Executives requested one amendment to make District Council resource requirements a clear consequence of option 4 of the OBC.

Appendices:

OxLAEP Outline Business Case
OxLAEP Outline Business Case – Exempt Information
The Energy System Catapult 7 stage LAEP process
OxLAEP Final Scope

Introduction

1. Last year FOP agreed for work to commence on the production of a LAEP programme to support Oxfordshire's ambition to transition to net zero. An officer working group (EPWG) and steering group (ESB) was established in September 2023. In March EOG and IAG asked for a Business Case on our proposed LAEP programme to be produced.
2. Local Area Energy Plans aim to deliver cost savings, social benefits and a more coordinated energy transition by taking a proactive, whole-systems, place-specific approach to energy planning. A LAEP is a spatial plan which maps all the existing energy infrastructure of an area, evaluates the current and future energy demand and produces a plan of actions to deliver the net zero transition.
3. LAEPs have recently become a statutory requirement for Welsh local authorities. 'Trailblazer cities' like Greater Manchester and 20 other English areas have adopted LAEPs with ambitious pre-2050 net zero targets across the UK.
4. Whilst the role of local authorities and the governance structure between local, regional, and national net zero plans is not yet formalised. The regional energy planning system has gained more focus nationally and recently been consulted

on by OFGEM.

5. The benefits of having a LAEP programme are:
 - Planned decarbonisation path to meet net zero targets at district and county level.
 - Increased / planned investment. An investment portfolio based on solid evidence.
 - Responsive / proactive grid management. Reducing overdependence on increasing grid capacity and reduced network impacts
 - Effective Planning System integration to increase likelihood of LAEPs being successfully implemented.
 - Regional Energy System Planning engagement to ensure bottom-up plans are heard.
 - Local Governance and political mandate become part of the energy planning process.
 - A platform for community / stakeholder engagement to ensure projects have the best chance to succeed.

6. Over recent months the EPWG has conducted a thorough early market process with the principal LAEP consultants. This, together with engagement with EPWG local authority members has led to the development of a viable LAEP Scope for the County which address the two objectives set out in the Outline Project Scope (discussed in the ESB November 2023). These objectives are now presented as two work streams:
 - **WS1: LAE Plans:** District level plans produced following data analysis, modelling and stakeholder engagement by a specialist consultant. The Scope for the OxLAEP programme has been considered by the EPWG and approved by the ESB. EOG are asked to note the OxLAEP Scope (Appendix 1) and that work will now start on developing the contract specifications.
 - **WS2: LAEP Function:** Areas that need to be developed so that LAE Planning is effective and the procured LAEPs result in the right outcomes. This is in effect how councils can have the capability to develop and deliver LAEPs in the future. The EPWG and ESB will consider a report on this prior to the production of LAEPs .

Early Market Engagement and the Delivery Model

7. Following recent engagement with consultants, the following model (based on the Energy Systems Catapult 7 stage process in Appendix 2) is proposed:
 - Phase 1 (WS1): ESC Stages 1-4 (data collection and modelling) for the whole County as one package.
 - Phase 2 (WS1): Production of LAEPs at district level – ESC Stages 5-7.
 - Phase 3 (WS1 and WS2) - The extension of activity post publication of LAEPs into enabling effective delivery of projects.

8. The Final OxLAEP Scope was agreed by the ESB at its meeting on 17 May. The Scope sets the overall frame for the development of the OxLAEP programme.
9. The predicted budget required to fund the above programme is higher than the current £150k budget from the Housing and Growth Deal Capacity Fund. A Business Case to explore options for the OxLAEP programme and to set out the case for the additional funds has been produced and agreed by ESB. (The OBC is attached at Appendix 3)
10. The OBC covers the following areas:
 - Strategic Case for having a LAEP programme, based on the existing and agreed strategic net zero framework. This sets out the smart objectives for the project (in accordance with the Scope) and the governance / stakeholder framework.
 - Economic Case - Sets out the benefits and risk appraisal for each of the four options and recommends a preferred option 4.
 - Commercial Case – addresses the pre-tender and procurement arrangements for the recommended option.
 - Financial Case – Reviews the proposed funding package for the recommended option.
 - Management Case – Details the governance, delivery responsibilities and Monitoring & evaluation requirements.

Outline Business Case

11. The OBC explores four potential options for delivering LAEPs in Oxfordshire. Only option 4 meets the requirements of the proposed Scope. It should also be noted that the full Business Case will be completed once all the tenders have been assessed. The OBC has been agreed by the ESB, EOG Chief Executives and IAG.
12. The options are as follows:
 - Option 1 – No established LAEP function, no Oxfordshire County Council convening role, continue with District level/Stakeholder specific LAEPs such as ZCOP ID, Bicester LAEP and any future District LAEPs with local funding and separate uncoordinated council input to the DFES process.
 - Option 2 – Convene LAEP Function only, to support locally funded, individual District LAEPs. Some coordinated council input to the DFES process. FOP budget ask: £150k (this has already been secured)
 - Option 3 – Deliver strategic level plan only: Partially fund Oxfordshire-wide LAEP plans, by procuring strategic level analysis at the county level, but not the individual district level LAEPs. Relatively cost inefficient given limited scope of the work, but consultants having to commit resource. FOP budget ask: £400k (a further £250k in additional to the £150k secured)

- **RECOMMENDED: Option 4 – Full, LAEP Programme – development of LAEPs and an ongoing LAEP Function: LAEP Plans: fully funded County-wide stages and District level stages with local tailoring of action plans and project pipeline. Stage gate option included to enable different paces based on capacity. Stretch target for delivery of a portfolio of investable projects and agile investment engagement programme. LAEP Function to be delivered so as to lift LAEP capability for all local authorities. FOP budget ask: £600k. (a further £450k in additional to the £150k secured)**

13. Aside from the requirement for additional funds, the OBC also addresses areas that are key to the OxLAEP programme. The most significant of these are:

- Resourcing requirements – and especially from Districts.
- Management Processes – Governance, project roles, escalation routes and risk management.

Resourcing of the proposed OxLAEP programme and mitigations

14. Option 4 to fund the full OxLAEP programme commits Districts to providing staff resource as LAEPs will be based on District areas. There will be a requirement for councils to support the process in WS1 Phase 2 which is dependent on officer input as part of the engagement and modelling exercise and in WS2 as part of the ongoing LAEP capability building (potentially subject to a further Business Case). The County Council has invested in dedicated staff for LAEP clienting and project management roles, however the Districts do not have dedicated LAEP resource in place. The contribution required by Districts has been discussed at the EPWG and an estimated breakdown by officer type / time per district for the 24 month programme is set out below. The requirement for specialist District Council engagement with the appointed consultants means in many cases this will come from existing officers and can not necessarily be bought in.

	Total per DC	NZ office rs	Manager s	Planners (polic y)	Planner S D M	Legal	Procurement	ReGe n	Data	Financ e	Other
Total days/24 m	138 days/24 m	50	22	25	8	5	1	8	6	4	8
FTE %		10.4%	4.6%	5.3%	1.7%	1.1%	0.2%	1.8%	1.3%	0.7%	1.6%

15. The time requirement of 138 days translates to an estimate of £26k per district is deemed to be the requirement such that Phase 2 results in a viable LEAP for a given District.

16. The following measures are options to mitigate the resourcing risk for District Councils:

- Apply go/no go stage gates to the procurement process thereby enabling councils to either proceed as proposed or be fast followers. The stage gates would apply after Phase 1 and Phase 2. Councils could choose to opt out and potentially back in again at a later point acknowledging this would be more costly to the programme overall than proceeding at the same pace. Opting out after Phase 1 could reduce District input by up to 30 days. Details on the cost of stage gating will be available once the tenders are assessed, however it is likely that introducing stage gates will increase the contract costs as consultants may want to price in the risk of Councils potentially opting out.
- Oxfordshire County Council would aim to support Districts by taking on some of the clienting duties in Phase 2. Districts would still retain ultimate decision making and some areas of engagement such as planning would still sit with the Districts.
- The councils will continue to seek other funds to support Districts.
- Other options to reduce District resource requirements include delegating some deliverables to third parties and reduced involvement in the LAEP Function co-creation work.

Management Processes

17. The Business Case sets out project roles, risk owners and the escalation routes. The following are important considerations:

- The allocation of key project roles and in particular the Senior Responsible Officer (SRO) and Project Sponsor. The Project SRO is recommended to be The Director of Economy and Place (post currently vacant) at Oxfordshire County Council and the Project Sponsor is Andrew Down Chair of ESB and Director of FOP.
- The risk management process as it relates to WS1 Phase 2 when the clienting role moves from the County Council to the District Councils. It is recommended risks specific to WS1 Phase 2 are managed by the relevant District who may want to take these through internal boards in addition to EPWG.
- Escalation process: The delivery of LAEPs through FOP but also through Council internal governance does create questions around who has authority to make decisions and what is escalated outside the existing OxLAEP governance structure i.e. to Executive Officers, Chief Executives and beyond. A suggested route is set out below (and developed further in the Business case):

18. Out-of-Control Risks: If a risk is deemed out of control or its impact exceeds agreed tolerances, it is escalated to ESB for further review and decision-

making. These tolerances include:

19. ESB decision scope:

- Decisions over expenditure of the LAEP contingency budget, or any additional funding from outside the FOP budget.
- Any addition or removal of agreed Outputs or Deliverables
- Decisions on the Full Business Case assuming all Scope objectives are met at the procurement stage including stage gating.
- Any extension of the programme to beyond 24months
- Any contract changes (in line with contract change procedure – pending approval by Oxfordshire Commercial Board & Legal)
- Any addition or removal of agreed objectives.

20. FOP decision scope:

- Any decision on termination of the contract will be taken by FOP.
- Decisions on the Full Business Case assuming Scope objectives are not met at the procurement stage.
- Any decisions relating to any residual funds.

Financial Implications

21. At the commencement of this project a sum of £150k was earmarked from the FOP Housing and Growth Deal Capacity Fund to support the LAEP process. Subsequent research and discussion have confirmed that to secure the necessary outcomes, officers now estimate that the total cost of the Oxfordshire LAEP Delivery Model set out in this paper is £600k.

22. LAEPs would address two of the 5 priorities of the Net Zero Action Plan and provide districts with the energy data and analysis required to complement local plans as well as a range of other plans and strategies. When LAEPs are seen in this context as the strategic cornerstone of so much we wish to achieve in Oxfordshire, the cost of the LAEPs will be recouped many times over in unlocked investment and realisation of the county's strategic growth ambitions

23. There is sufficient balance remaining in the Housing and Growth Deal Capacity Fund to support this request.

Legal Implications

24. The procurement of LAEPs as set out in this paper will require input from County Council Legal and Procurement Teams. The County Council's Commercial Board has approved the procurement process.

Other Implications

25. LAEPs will contribute to the ability to deliver a smart, fair and participative energy system in Oxfordshire. The OBC will be subject to an equalities impact assessment so that any implications been fed into the specification.

26. As the LAEP process moves forward, and especially with regard to engaging other stakeholders, Oxfordshire's approach to LAEPs will need to be well

communicated. This is important not only to facilitate the process of developing LAEPs, but also to inform the wider community of the benefits of this process and to ensure there is a consistent approach when dealing with any challenges that LAEPs present. Oxfordshire County Council in conjunction with FOP propose to develop a LAEP communications plan over the coming months with anu messaging agreed prior to the FOP decision on 25 June. Set out in Appendix 4 are the key LAEP communications messages.

Conclusion

27. This report has highlighted the importance and benefit of LAEPs within the context of Oxfordshire reaching its net zero targets. It is recommended that Oxfordshire adopts an approach where LAEPs are developed as part of a wider Delivery Model to ensure that projects identified in LAEPs are delivered as quickly and effectively as possible. This recommended approach exceeds the current budget of £150k and a further £450k is sought from the Oxfordshire Housing Capacity Fund to sufficiently resource this work.

Background Papers

28. None

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