



Glasgow City Council

Net Zero and Climate Progress Monitoring City Policy Committee

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Model for Climate Investment

Purpose of Report:

This paper provides Committee with a progress update for the Model for Climate Investment project.

Recommendations:

It is recommended that Committee:

- discuss the contents of the report; and
- notes the updates provided and next steps

Ward No(s):

Citywide: ✓

Local member(s) advised: Yes ☐ No ☐

consulted: Yes ☐ No ☐

1. Introduction

- 1.1 Glasgow has embarked on a process to establish the correct Model for Climate Investment to support the ambitions to become a Net Zero City. With a specific focus on the energy theme the internal and externally appointed team will fully assess current models like the Bristol City Leap and the London Edge to name a few, to establish a co-ordinated pathway to procurement for a Glasgow specific model.
- 1.2 This report has been created to provide an update on progress on the project following the approval of the £4m budget by City Administration Committee in March 2024. It outlines the steps taken so far, the ongoing investigations on other models in the UK and the supplementary work being completed in support of the project.

2. Background

- 2.1 In 2019 Glasgow declared a Climate Emergency, recognising the change in climate patterns and weather, affirming the intent that the city needs to be net-carbon zero by 2030. There was also acknowledgement of the need to adapt to climate change preparing for inevitable local impacts of the global changing climate. However, despite the city's determination, the city does not have the estimated £40bn investment or skill capability and capacity to mobilise the ambitious goals.
- 2.2 In order to address the investment shortfall and supplement the specialist knowledge Glasgow has created the Model for Climate Investment project which is tasked with formulating a route for delivery and to create a method to allow the private sector to invest in climate related projects.
- 2.3 As detailed in the [Climate Finance Report](#) presented to the Net Zero and Climate Change Progress Monitoring City Policy Committee in March 2024 a number of other UK councils have adopted local Climate Investment models unlocking additional investment pots for cities. The nature of the models adopted, and mobilisation of the funding, is influenced by the assets considered in scope as there is a requirement for any model to be commercially viable to attract private partners.
- 2.4 The recommendations of the March 2024 report acknowledged the valuable lessons learned from other councils but recognised that there is not one single model that Glasgow can adopt. To address the barriers and understand the best model for Glasgow the City Administration Committee approved a project budget of £4m. The budget is to be spent on creating an internal team and supplementing the knowledge and experience with external specialists to establish Glasgow's own Model for Climate Investment.
- 2.5 As a reminder, Glasgow is specifically focusing on two workstreams that are separate but intrinsically linked, the Delivery Vehicle and the Climate Investment Vehicle.

DELIVERY VEHICLE

- 2.5.1 The Delivery Vehicle, with a focus on council owned assets, will build on the recently approved Local Heat and Energy Efficiency Strategy (LHEES), which provides a clear direction for decarbonising heat and improving building efficiency in the city, a public private partnership or concession agreement will be explored. This could see investment in areas such as low/zero-carbon heat networks, renewable energy from wind and solar, energy efficiency, and smart energy systems but can be extended to other energy related project.
- 2.5.2 A critical part of the project scope will be consideration of additional social value, community involvement and ensuring a Just Transition. The full scope will be determined through competitive dialogue with the market to ascertain the most commercially viable offer for the Council.

CLIMATE INVESTMENT VEHICLE

- 2.5.3 The creation of an investment vehicle for the city/city region would unlock access to capital from the private sector, as well as long-term patient capital from other sectors, such as Pension Funds.
- 2.5.4 The fund would help to address the funding gap as well as providing city partners with the opportunity to progress projects that otherwise may not be able to be delivered. In addition, further mechanisms for appointing institutional investors will be assessed to allow for a more streamlined approach to mobilising investment opportunities.
- 2.5.5 It is important to note that any vehicle created would have a separate governance and decision-making process from the internal Delivery Model and, to all intents and purposes, operated in the same way as a Fund Management company. This means that projects led by city stakeholders out with the Council, such as those within the Greenprint for Investment, could be taken forward and funded once assessed on their commercial viability.

3. Model for Climate Investment Project Update

- 3.1 With the £4m budget approved, Glasgow commenced the development of the internal and external specialist team to advance the delivery of the Model for Climate Investment project. Led by the Climate Finance Manager in Economic Development and with the support of the Head of Sustainability, the internal team was established bringing together dedicated Legal, Procurement and Finance specialists, who were strategically appointed to spearhead the initiative. Once the internal team was appointed work commenced on the procurement for the appointment of the external specialists.
- 3.2 Following successful bids and approval of the Contracts and Property Committee the external team of specialists has been appointed. Brodies have been appointed for legal and procurement support as well as overall project

management and Price Waterhouse Cooper (PWC) have been appointed for financial consultancy support. Both teams have been further supplemented by additional specialists in the area of Climate Finance to ensure that Glasgow is developing the most appropriate and advantageous model for delivery as well ensuring that there is a process for mobilising private sector investment.

- 3.3 Complementing the internal and external specialists, Glasgow has engaged Scottish Futures Trust (SFT) and National Wealth Fund (NWF) in an advisory capacity. This partnership working is further enhancing the knowledge for the project and providing valuable experience for the composition of Glasgow's own investment model.
- 3.4 To commence the strategic planning of the project and inform the Strategic Outline Case (SOC), the project team has conducted multiple workshops specifically focusing on establishing a baseline of project objectives, critical success factors, risks and benefits. These outputs will be shared with the relevant stakeholders to obtain approval and sign off prior to embarking on the procurement process for Glasgow's model.
- 3.5 Beyond the progress noted above a number of other project specific workstreams have been successfully completed. To enhance technical knowledge and inform the commercial discussions, the Council's Sustainability Team, with the assistance of Scottish Futures Trust (SFT), appointed Buro Happold to further supplement the Local Heat and Energy Efficiency Strategy (LHEES) information. This work is providing the necessary commercial information that will be utilised in the negotiations of the Model for Climate Investment.
- 3.6 Alongside the work of the Model for Climate Investment the Council is in discussions to establish a community investment platform. This platform will further support the work of the Model for Climate Investment whilst providing investment offering to communities.
- 3.7 Additionally, work has commenced on the [3Ci Net Zero Neighbourhood](#), with a specific focus on the demonstrator area of Govanhill. This analytical study will provide valuable information to inform the investment approach at a neighbourhood level, ensuring that solutions are responsive to local need.
- 3.8 To further enhance its knowledge base, the Council has commissioned a PhD student with a focus on Climate Just Finance. This has been developed as a working PhD where the learnings will be shared with the council as the research progresses to inform our approach to Glasgow's model.
- 3.9 Economic Development and Sustainability are working together to realise the ambition to utilise community municipal investment to finance projects. This approach will be considered in the wider suite of finance options for climate projects.
- 3.10 Finally, further investigation has been completed regarding the governance of the project. It has been agreed that the Model for Climate Investment project

will report to the councils internal Climate and Sustainability Board chaired by the Executive Director of Neighbourhoods, Regeneration and Sustainability. The additional governance structures created for the project include the Climate Investment Board which will offer additional support to the project.

4 Next Steps

- 4.1 A critical aspect of the project is formulating the correct governance structure. Given the complexity and scale of the delivery model being established additional support has been sought through the formation of a Political Oversight Group (POG). This will be developed with support being sought from all political groups.
- 4.2 A core focus of the project team over the next 3 months is to complete the Strategic Outline Case (SOC) as well as understanding the recommended way forward for the delivery vehicle and population of the Outline Business Case (OBC). This will allow progress to be made in the development of the procurement strategy and inform the approach for the model.
- 4.3 In parallel, further work will be conducted in the assessment of assets taken into consideration for the scope of the project. This will involve working with the assets team in the council to establish priorities ensuring alignment with the project objectives.
- 4.4 Additionally, the project team will continue to develop the understanding and lessons learned from the models across the UK to ensure that all market insight is being assessed in the development of Glasgow's model. The commercial discussions with industry and investors will continue to build a sound understanding of industry developments as well as understanding the challenges from an investment perspective.

5. Policy and Resource Implications

Resource Implications:

Financial: *There are no immediate financial implications to the report.*

Legal: *There are no immediate legal implications arising from this report. Any legal considerations would come on development of a model that will be presented to committee.*

Personnel: *A dedicated specialist team has been established with dedicated internal support as*

well as appointed external specialist to progress delivery of the Model for Climate Investment.

Procurement:

There are no immediate procurement issues relating to this report. Once assessed the model adopted will be progressed through the relevant procurement routes.

Council Strategic Plan:

This work underpins Grand Challenge 3 of the Strategic Plan on fighting the climate emergency in a just transition to net zero.

It also supports the reduction of poverty and inequality in our communities and increases the opportunity and prosperity for our citizens.

Equality and Socio-Economic Impacts:

Does the proposal support the Council's Equality Outcomes 2021-25? Please specify.

The focus of this report is to create a specialist team to deliver an investment vehicle and potential partnership to progress the climate plan actions. It will support the following outcomes 1, 7, 8 and 9.

What are the potential equality impacts as a result of this report?

The council's approach to progressing the sustainability projects at pace has the potential to open up additional job markets as well as ensuring that there is more control over critical services, like heat.

Please highlight if the policy/proposal will help address socio-economic disadvantage.

This work will help address the socio-economic disadvantaged by creating upskilling opportunities from the net zero transition.

Climate Impacts:

Does the proposal support any Climate Plan actions? Please specify:

This report supports the Climate Plan actions by providing an opportunity to match private sector funding with public sector funding to achieve the required actions.

What are the potential climate impacts as a result of this proposal?

This report will allow GCC to deliver projects at pace bringing us closer to achieving our Net Zero 2030 targets.

Will the proposal contribute to Glasgow's net zero carbon target?

Mobilisation and delivery of the projects within the Climate Plan will help us to achieve the Net Zero targets.

**Privacy and Data
Protection Impacts:**

Are there any potential data protection impacts as a result of this report
Y/N

This report has no impacts on privacy or data protection.

If Yes, please confirm that a Data Protection Impact Assessment (DPIA) has been carried out

6. Recommendations

6.1 It is recommended that Committee:

- discuss the contents of the report; and
- notes the updates provided and next steps