



THE BUSINESS BOARD

BUSINESS BOARD	AGENDA ITEM NO: 4.2
23 SEPTEMBER 2019	PUBLIC REPORT

GREATER SOUTH EAST ENERGY HUB

1.0 PURPOSE

- 1.1. As part of the prioritisation exercise with the Cambridgeshire & Peterborough Combined Authority (CPCA), the role of Accountable Body for Greater South East Energy Hub has been identified as a non-priority project.
- 1.2. The CPCA is seeking an alternative Accountable Body for the Energy Hub, this will not impact on the Hub's activity in Cambridgeshire & Peterborough,
- 1.3. In the interim, whilst a transfer of Accountable Body is agreed, a governance process must be established to enable all Local Enterprise Partnerships /lead local authorities to oversee the activities of the Hub and be involved in decision-making. This will enable CPCA to meet the requirements in the Memorandums of Understanding (MoUs) between the Department for Business, Energy and Industrial Strategy (BEIS) and the CPCA.
- 1.4. To this end the Greater South East Energy Hub Board (Hub Board) has been established with members from each of the LEP's however, in order to fulfil the decision-making role that Government require the Hub Board must now be formally recognised within the CPCA governance structure.
- 1.5. The draft Terms of Reference and Accountable Body Agreement for the Hub Board are attached.

<u>DECISION REQUIRED</u>	
Lead Member:	Austen Adams, Interim Chair of Business Board
Lead Officer:	John T Hill, Director of Business and Skills
Forward Plan Ref: N/A Key Decision: No	
<p>The Business Board is asked to:</p> <ul style="list-style-type: none"> a) Recommend to the Combined Authority Board that the Energy Hub is transferred to a new Accountable Body which will be decided by the Hub Board; b) Recommend the Combined Authority Board to agree to the establishment of the Greater South East Energy Hub Board in line with the Terms of Reference and included in this report, and authorise the Director of Business & Skills, in consultation with the Lead Member for Economic Growth, Chief Finance Officer and Monitoring Officer, to make minor amendments to terms of reference as required in their finalisation; c) Agree to delegate authority to the Energy Hub Board for the use of the Local Energy Capacity Support Grant and Rural Community Energy Fund where the decisions do not impact Cambridgeshire and Peterborough Combined Authority staffing arrangements; and d) Note the draft Accountable Body Agreement and authorise the Section 73 Officer to make minor amendments and finalise the agreement. 	

2.0 BACKGROUND

- 2.1. As part of the prioritisation exercise within the CPCA, non-priority projects that could be removed or resource allocation reduced were identified. The Accountable Body role for the South East Energy Hub is one such non-priority project.
- 2.2. The Energy Hub is designed to support all LEPs (including the Combined Authority's Business Board) in the greater south east of England. A change in Accountable Body would have no impact on the Hub's activity in Peterborough and Cambridgeshire.
- 2.3. On the 28th February 2018 the CPCA Board agreed that the CPCA would be the Accountable Body for the Greater South East Energy Hub funded by the Department for Business, Energy and Industrial Strategy (BEIS).

- 2.4. A MoU was signed in March 2018 between BEIS and the Combined Authority which set out the purpose and requirements of the Local Capacity Support grant of £1,321,000 to fund the delivery of the Hub. This was subsequently amended on 26th March 2019 to £2,021,000.
- 2.5. A MoU was signed in March 2019 between BEIS and the Combined Authority for the Rural Community Energy Fund (RCEF) providing £2.9M to the Hub for the delivery of the RCEF grant programme.
- 2.6. The RCEF MoU sets out the requirement that each region establishes a governance process to enable the Hub Board to make decisions on the allocation of RCEF grants with the first awards being granted in September 2019.
- 2.7. The role of the Accountable Body is to:
- Contract with BEIS on behalf of the consortia of eleven LEPs to deliver the Local Capacity Support Programme (LCSP) and the Rural Community Energy Fund (RCEF).
 - Be ultimately responsible for the employment of the staff, delivery of the programmes and allocation of the grant.
 - Provide back office support (financial, legal, procurement, IT, HR, marketing/comms) to the Hub based on an overhead of 15% of the staff salaries (est. £128,921 to 03/2021).
- 2.8. BEIS have confirmed that a transfer of Accountable Body is possible through written procedure between the Combined Authority as the outgoing Accountable Body and the new incoming Accountable Body. This will need to be agreed with BEIS, signed off by MHCLG and Treasury.
- 2.9. BEIS require the following conditions to be met for the transfer of Accountable Body:
- Financial records of all spend and interest earned
 - A mechanism for financial transfer
 - Staffing transfer (based on the agreed staffing structure)
 - The Hub Board will be the decision-making body to select the new AB
 - There must be no impact on Hub delivery during the process of transfer
- 2.10. To fulfil the requirements set out in the MoU and to ensure there is no impact on Hub delivery during the process the Combined Authority are required to enable the governance structure for the Hub Board.
- 2.11. The Hub Board needs to be formally recognised as part of the CPCA governance structure and receive delegated authority for the Hub funds.
- 2.12. The Terms of Reference attached as Appendix 1 have been agreed by the 10 LEPS and were presented to the Business Board in June. The ToRs need to be

agreed by the Combined Authority Board to meet the requirements of the MoUs between BEIS and the Combined Authority.

2.13. The attached draft Accountable Body Agreement sets out how the CPCA will operate the Hub and the roles and responsibilities of both CPCA and the 10 LEPs.

2.14. There will be transfer by novation agreement to the new Accountable Body, this will include:

- Terms of Reference and Accountable Body Agreement
- The BEIS Local Capacity Support Programme, Rural Community Energy Fund and respective variations to MoUs
- Contracts with external suppliers

2.15. Staff will be subject to TUPE to the new Accountable Body.

2.16. The recruitment for RCEF staff was due to commence in July, this will not be possible during a TUPE process therefore, due diligence, project appraisal and community project support services will be outsourced until a transfer of Accountable Body is finalised. This cost will be met by the RCEF staffing budget.

2.17. The recruitment for the Local Capacity Support Programme Funding Manager to support the pipeline projects business cases, financial modelling, investment options and project due diligence will also be outsourced, this cost will be met by the existing budget.

2.18. The Combined Authority will continue to be responsible for the Hub until the transfer is complete.

2.19. While CPCA is the Accountable Body for the funds, the CPCA's Section 73 officer has ultimate responsibility for the use of the grant funds thus all papers with a financial implication must receive S73 sign off prior to being presented to the Hub Board.

3.0 FINANCIAL IMPLICATIONS

3.1. The two grants for which delegated authority is being recommended (Local Capacity Support Grant and the RCEF) have governance structures and restrictions set out by BEIS in their respective MoUs. As these specify that the grant funding is ringfenced for the Hub, and applications for the RCEF respectively, they could not be utilised on other projects, thus there is no effect on the wider CPCA budgets.

3.2. As identified in the report Energy Hub staff will be subject to a TUPE process to transfer their employment to the new Accountable Body, however their whole costs are covered by the Energy Hub funding which is also being transferred so

there should be no significant net impact on the CA's budgets due to the transfer.

4.0 LEGAL IMPLICATIONS

- 4.1. The operation of an agreed Terms of Reference will enable the Combined Authority to meet the requirements of the BEIS MoU and mitigate any risk to impact on Hub delivery.
- 4.2. The operation of an agreed Terms of Reference will ensure both certainty and consistency in the work of the Energy Hub Board and provide transparency as to its responsibilities

5.0 SIGNIFICANT IMPLICATIONS

- 5.1. There are no significant implications beyond those identified in the report.

6.0 APPENDICES

- 6.1. Appendix 1 – Draft Terms of Reference for the Greater South East Energy Hub Board
- 6.2. Appendix 2 – Draft Accountable Body Agreement
- 6.3. Appendix 3 – GSE Hub Assessment Framework

<u>Background papers</u>	<u>Location</u>
BEIS CPCA Local capacity Support MoU	Cambridgeshire and Peterborough Combined Authority, The Incubator, The Boulevard, Enterprise Campus Alconbury Weald, Huntingdon, PE28 4XA
Greater South East Local Energy Hub - Combined Authority Board key decision 28 th February 2018	
BEIS CPCA Variation to Local Capacity Support Grant	
BEIS CPCA RCEF MoU	