



THE BUSINESS BOARD

BUSINESS BOARD	AGENDA ITEM No: 3.3
28 JANUARY 2019	PUBLIC REPORT

RURAL COMMUNITY ENERGY FUND – MANAGEMENT AND ADMINISTRATION

1. PURPOSE

- 1.1. The Cambridgeshire and Peterborough Combined Authority is the Accountable Body for the Greater South East Energy Hub that covers fifteen counties and Greater London. The Hub was funded (£1.29m in advance) for two years of operation by the Department of Business, Energy and Industrial Strategy (BEIS). A fully funded team of seven currently exists, with an eighth team member to be recruited, and is dedicated to local energy project delivery in the Greater South East area.
- 1.2. The Energy Hub has been set up to unlock current restrictions and blockages relating to local energy infrastructure such as technical, financial, regulatory, policy or human resources. By operating the Energy Hub from Cambridgeshire and Peterborough the focus of the Energy Hub in this area is maximised and benefits can be more readily realised.
- 1.3. The Rural Community Energy Fund (RCEF) has been in operation since 2013 through WRAP but has been closed to new applicants since DEFRA and BEIS undertook a review and concluded it would be best offered by local organisations rather than a national one.
- 1.4. Aligning the RCEF with the Energy Hub operation from Cambridgeshire and Peterborough enables greater connectivity with Energy Hub staff and their local stakeholders. This maximises the resultant opportunities to create, initiate and deliver projects locally.
- 1.5. The Business Board approved the principal that the Combined Authority would act as Accountable Body for the RCEF and requested a detailed report on the management and administration of the fund. This report explains what BEIS has suggested is the management and administrative structure with full costings.

- 1.6. BEIS will fund the new RCEF programme in the Greater South East Energy Hub area with a £2.9m grant for delivery over a minimum time period of two years with an additional third year possible.

<u>DECISION REQUIRED</u>	
Lead Member:	Aamir Khalid, Chair of Business Board
Lead Officer:	John T Hill, Director of Business and Skills
Forward Plan Ref: 2019/018	Key Decision: Yes
<p>The Business Board is invited to make the following recommendation to the Combined Authority Board:</p> <p>Agree that the Greater South East Energy Hub assumes the RCEF management role, administers the fund and employs the Community Energy Advisor.</p>	<p>Voting arrangements</p> <p>Simple majority of all members</p>

2. BACKGROUND

- 2.1. The Rural Community Energy Fund (RCEF), currently offered by WRAP (a charity contracted by the Department for the Environment, Food and Rural Affairs (DEFRA) to deliver the funding in England) has been agreed by Ministers to be transferred to the five Local Energy Hubs in England will offer an improved funding level on that of the initial offer and be more connected with local energy delivery.
- 2.2. The £15m Rural Community Energy Fund (RCEF) was launched in June 2013 jointly by the Department for Environment, Food and Rural Affairs (DEFRA) and the Department of Energy and Climate Change (DECC) as was, now Department for Business, Energy and Industrial Strategy (BEIS).
- 2.3. RCEF was created to specifically target help for rural communities to access the money needed to carry out feasibility studies into renewable energy projects and fund the costs associated with applying for planning permission. The scope was originally conceived included wind, solar, biomass, heat pumps, anaerobic digestion, gas Combined, Heat and Power (CHP), and hydro.
- 2.4. Waste and Resources Action Programme (WRAP) has delivered the fund since inception with an initial £20,000 feasibility grant and an option for an unsecured loan worth up to £130,000. The loan is repayable to Government once projects have received the necessary private sector funding required to get them up and running. Communities would also pay a set premium of 45% on top of the loan when paying it back to be reinvested in the fund enabling more communities to benefit.

- 2.5. Applications were considered from rural communities with less than 10,000 residents and larger communities located in local authority areas defined as predominantly rural.
- 2.6. During the first five years of fund operation take up has been limited with only one successful applicant in the Cambridgeshire and Peterborough area – Swaffham Prior Community Heat Scheme, and only three in the East of England. BEIS has identified that this is in part due to the limited feasibility fund available and the project development funding being a loan rather than a grant. Also notable is that the fund is operated by a national organisation with very little local presence. Devolution now presents an opportunity to increase impact through local leadership alongside delivery.
- 2.7. The BEIS Local Energy Team meets with all five Local Energy Hub leads once a month and stated at the October meeting that they had identified that with all five now operating the remaining £9m unspent could be split between the Hubs for local delivery. In partnership with DEFRA they have calculated that the Greater South East area should receive £2.9m given the greater rural nature of the geography. This is the largest proportion being offered to any Local Energy Hubs, and therefore presents a significant opportunity to facilitate sustainable rural growth across our area.
- 2.8. Managing the RCEF alongside the Energy Hub from the Cambridgeshire and Peterborough area significantly enables the opportunity for greater applications for the fund from our area. Establishing local authority and community links from the outset equips them to develop ideas with dedicated support and secure early successes. The minimum level of success will be to obtain an equal proportion of the fund for the area equating to £183,333. But should excellent projects in the area come forward there is the potential for this to be significantly exceeded.
- 2.9. BEIS has specified that all financial support must be grant based, and that the feasibility grant is increased up to £40,000 with the loan being replaced by a project development grant of up to £100,000. This is a significant improvement to the funding offer which is believed to enhance the appeal to rural communities and unlock new projects locally in Cambridgeshire and Peterborough and across the Greater South East.
- 2.10. BEIS have Ministerial and Treasury agreement to transfer funds to each Local Energy Hub through the existing Section 31 agreement. Official confirmation is expected in January 2019 with an expectation that each Local Energy Hub should be in a position to sign off the additional funding, recruit the new Advisor and start promoting from April 2019.
- 2.11. The Greater South East Energy Hub has a Board comprised a representative from each constituent Local Enterprise Partnership area, for Cambridgeshire and Peterborough this is the Combined Authority's Head of Sustainability. The Hub Board has also agreed the principal that the Energy Hub Accountable Body should also be the Accountable Body for the RCEF.

Management and administration of the RCEF

- 2.12. BEIS has set out the high-level thinking on how the RCEF should be managed and administered by the Accountable Body. This includes a dedicated Community Energy Advisor and a Grant Assessment Panel made up of technical representatives from the greater south east area.
- 2.13. At the time of writing this report BEIS has yet to issue a draft Memorandum of Understanding (MoU) with specific, contractual detail relating to the management and performance of the RCEF.
- 2.14. This report therefore outlines the costs associated with employing a Community Energy Advisor for the 15-county area.
- 2.15. The Community Energy Advisor would be employed by the Cambridgeshire and Peterborough Combined Authority and would sit within the Local Energy Team and managed by the Regional Hub Manager or the Head of Sustainability. BEIS has recommended that £150,000 of the £2.9m grant is allocated for employment and administration costs over the two-year period. There will be no cost to the Combined Authority.
- 2.16. The Community Energy Advisor would be appointed to single status pay scale 13, £41,025 to £44,765 per annum. The following table outlines the full cost of employing the Advisor using the BEIS grant:

Cost centre	Sub-totals, £
Community Energy Advisor salary (max)	44,765
National Insurance employers contribution	5,015
Pension employers contribution at 17.4%	7,789
Travel and expenses at £800 per month	9,600
Laptop and mobile phone	1,050
Administration on-cost at 15%	6,715
Total per year	74,934
Total for two-year fund scheme	149,868

- 2.17. The maximum salary has been used for the purposes of calculating employer contributions. Using the Energy Hub experience of deploying a member of staff across the 15-county area £800 per calendar month as been allocated for travel and expenses. A 15% administration on-cost as also been included to cover CPCA staff time associated with the process of administering grants to communities.
- 2.18. Embedding the new Advisor within the existing Hub team means greater cross fertilisation and presence across the whole greater south east area, and crucially in the Cambridgeshire and Peterborough area where new community projects would be identified and supported. The Local Energy East Strategy local authority officer group have been briefed on this new opportunity and are

keen to identify their suitable communities, signpost the offer and support the fund.

- 2.19. The existing DEFRA approved WRAP processes are yet to be received and reviewed therefore the application and assessment process using a Grant Assessment Panel are yet to be determined.

3. FINANCIAL IMPLICATIONS

- 3.1. As the costs of administering the scheme will be met from a £150k topslice from the program's grant funds, including both the direct costs of an additional member of staff and a contribution to cover CPCA support functions (Legal, Finance, etc), there will be no net impact on CPCA's funding of becoming the accountable body for the RCEF.

4. LEGAL IMPLICATIONS

- 4.1. Hub funding must solely be used for the purpose for which it is intended and complete and accurate records must be kept in order to show how funding has been utilised.
- 4.2. RCEF must be managed and administered with complete transparency and in strict accordance with any and all applicable laws governing such activities and complete and accurate records must be kept to evidence this.
- 4.3. Any, and all data must be obtained, processed, stored and used, in strict accordance with GDPR.

5. SIGNIFICANT IMPLICATIONS

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

6. APPENDICES

- 6.1. None

<u>Source Documents</u>	<u>Location</u>
None	N/A