



Department for
Business, Energy
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**Department for Business, Energy &
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Dear Sir/Madam

Local Energy capacity support for LEPs and local authorities

Following the announcement at the LEP Chief Executives meeting in London on 22nd August, I am writing to confirm that BEIS is proposing to support the capacity of LEPs and local authorities to play a leading role in delivering low-carbon economic growth.

Our aim is to work with the LEPs and your local authority members over the coming months to achieve a broad consensus as to how this capacity support will be provided. The purpose of this letter is to share our outline proposal for how these resources could be used, as a starting point for discussion.

Funding and aims for capacity support

As part of the BEIS Local Energy programme, BEIS has allocated £2.7m in this financial year to support the capacity of LEPs and local authorities to:

- Identify and prioritise local energy projects
- Undertake the initial stages of development for priority projects and programmes (eg feasibility studies and business cases), up to a point where investment can be secured
- Take a collaborative and coordinated approach across multiple LEP areas

The funds will be transferred by BEIS in this financial year, but funding agreements will allow local spending to take place across multiple years.

Further information on the rest of the BEIS Local Energy programme is provided in Appendix 1.

Outline proposal for capacity support

We consider that the most effective use of the available funds is to establish five local energy hubs, to support the capacity of LEPs and local authorities to deliver

energy projects. The role of the hubs would be as outlined in the section above on *Funding and aims for capacity support*. There will be some flexibility in how each hub operates in order to meet local needs, but we are keen to ensure a coherent programme of support across England and clear lines of communication between local areas and central government.

Each hub would serve a number of LEP areas, and together they would cover the whole of England. Suggested LEP areas which would be covered by each hub are provided in Appendix 2, as a starting point for discussion. You have the option to propose alternative geographies at an early stage, provided you are able to achieve agreement for that proposal from the other LEP areas affected by those changes.

The resources available are estimated to be sufficient to fund around four full time equivalent posts per hub for an initial two years of operation. Each hub would be required to liaise with the BEIS Local Energy team and the other hubs, to share experience and best practice.

LEPs will be expected to work closely with their local authorities in the process of setting up and working with the hubs. Each hub would be hosted by a lead local authority, by mutual agreement of the LEP areas served. Funding would be allocated to the nominated lead local authority, which must be a legal entity able to receive funds under Section 31 of the Local Government Act. The hub would be expected to work on behalf of all of the LEP areas served, and of their member local authorities, and governance arrangements would need to be agreed in support of this.

We would welcome proposals to supplement or match the available funding with other resources, although this will not be a condition of BEIS funding. Each local energy hub would be expected to work towards achieving financial sustainability after the initial period of central government funding, for example through ring fencing a percentage of capital investment or revenue from projects or contributions from the LEPs and local authorities served.

Our aim is for the local energy hubs to complement and build on existing activity, rather than duplicating or replacing other resources. It is not our intention for the local energy hubs to limit in any way your ability to work with others outside of your region on projects or matters of mutual interest. We would welcome your views on this.

Key decisions

A number of decisions need to be made as part of the design and delivery of this capacity support. In particular, we are keen to:

- Confirm which LEPs are included in each region
- Agree a host LEP or local authority for each hub

- Agree the number of people in each hub, job descriptions and required expertise
- Confirm the amount of funding for each hub
- Agree an outline work programme and way of working for the hubs
- Agree governance arrangements within each region and nationally

Process and next steps

I would like to take this opportunity to invite all LEPs across England to work with us to shape and implement these proposals over the coming months. If preferred, please feel free to nominate a lead local authority to engage in this process on behalf of your LEP area.

As a first step, I would be grateful if you could:

- Share and discuss these outline proposals with your local authority members
- Discuss these proposals with other LEPs in your region
- Consider how you and your local authority members might benefit from the capacity support outlined above and what specific support and expertise you would find most useful, bearing in mind the limitations on available budget and BEIS aims for the funding
- Consider what role you might be able to play in delivering this support, and whether your organisation would be willing and suitable to host one of the hubs

I would welcome your **feedback on the outline proposals by 7th October**. Please send your feedback to Helen Pearce (helen.pearce@beis.gov.uk; 0300 068 5350), who is leading this work on behalf of my team. If you have any questions on the proposals for capacity support, Helen will be happy to discuss them with you.

My team will collate all the feedback we receive in response to this letter and develop more detailed proposals. Our aim is to present and discuss these detailed proposals in a series of five regional workshops in the last week of October and the first week of November. We will be in touch to confirm dates and locations for these workshops as soon as possible.

I look forward to hearing from you.

Yours faithfully

Sam Kennedy

Deputy Director, Home and Local Energy, BEIS

Appendix 1

BEIS Local Energy programme

BEIS has allocated £1.6m for energy strategy development by LEPs, with the first tranche of 13 LEPs receiving a total of £600k in March 2017 and the remaining 25 LEPs in England offered funding totalling £1m in September 2017. One of the main outcomes of these energy strategies will be the identification of a pipeline of energy investment opportunities for each LEP area.

BEIS has also funded six other projects which will enhance the capability of LEPs and local authorities, including:

- Development of a carbon monitoring and reporting tool, led by Greater Manchester Combined Authority
- Development of a cost benefit analysis methodology to assess the economic case for local energy projects, led by Greater Manchester Combined Authority
- A review of health and fuel poverty schemes, led by Liverpool City Council, and development of good practice resources and tools, led by Cornwall County Council
- A review of progress with ERDF low carbon funding to date, and support for future delivery of the programme, led by Wolverhampton City Council
- National benchmarking of low carbon and energy activity by LEPs and city regions, led by Wolverhampton City Council

These projects are due to be completed by the end of March 2018. The outputs of these projects will be made available to all LEPs and local authorities in England and other relevant organisations.

An important aspect of the Local Energy programme is the facilitation of peer-to-peer collaboration and learning between LEPs and local authorities, and contact between local areas and central government on relevant issues. To this end, a Huddle space for online communication and co-working is being launched in September 2017.

The new £2.7m funding for capacity support is intended to complement this existing activity, by providing LEPs and local authorities with additional resources and expertise to undertake the initial stages of energy project development, up to a point where they are able to attract capital investment.

Appendix 2

LEPs areas suggested for inclusion in each hub

Local energy hub	LEP areas included	
North West	<ul style="list-style-type: none"> • Cheshire & Warrington • Cumbria • Lancashire 	<ul style="list-style-type: none"> • Greater Manchester • Liverpool City Region
Yorkshire, Humber and North East	<ul style="list-style-type: none"> • Humber • Leeds City Region / West Yorkshire Combined Authority • North East 	<ul style="list-style-type: none"> • Sheffield • Tees Valley • York, North Yorkshire and East Riding
Midlands	<ul style="list-style-type: none"> • Black Country • Coventry & Warwickshire • Derby, Derbyshire, Nottingham & Nottinghamshire (D2N2) • Greater Birmingham & Solihull • Greater Lincolnshire 	<ul style="list-style-type: none"> • Leicester & Leicestershire • The Marches • Stoke-on-Trent & Staffordshire • Worcestershire
South East	<ul style="list-style-type: none"> • Buckinghamshire Thames Valley • Coast to Capital • Greater Cambridge & Greater Peterborough • Hertfordshire • London 	<ul style="list-style-type: none"> • New Anglia • Oxfordshire • South East • South East Midlands • Thames Valley Berkshire
South West	<ul style="list-style-type: none"> • Cornwall & the Isles of Scilly • Dorset • Enterprise M3 • Gloucestershire 	<ul style="list-style-type: none"> • Heart of the South West • Solent • Swindon & Wiltshire • West of England