



Delegated Decision Report

30th March 2021

Subject: Investment Fund Update and Funding Approvals – Energy for Growth Accelerator
Report of: Principal Economy and Strategy Manager
Portfolio: Busines Competitiveness

Report Summary

This report provides an overview of the North East Energy for Growth Accelerator which has been developed to overcome market barriers and accelerate investment in low carbon projects across the North East.

In March 2020, NTCA approved the North of Tyne Energy, Green Growth and Climate Change blueprint and agreed a £24.2m investment fund allocation until 2023 which included £10m for a Green New Deal programme. Investment Panel, at their meeting in September 2020, agreed an approach for the Green New Deal Programme with £9m to be utilised to establish a North of Tyne Green New Deal Fund and £1m to establish technical capacity for the development of a robust low carbon and energy project pipeline.

The purpose of this report is to request the approval for an NTCA contribution to North East Energy for Growth Accelerator to the total value of £495,000.

Following the approval of the Delegated Decision Report - Investment Fund Update, Part B - Energy, Green Growth and Climate Change – a North of Tyne Blueprint on the 1st of April under delegation HPS11 in Part 2.9 of the Constitution, the Interim Head of Paid Service, in consultation with Investment Panel and Portfolio Holder, can approve the relevant call documentation and business case applications for the Green New Deal programme.

Recommendations

The Interim Head of Paid Service is recommended to approve a North of Tyne Combined Authority contribution of £495,000 to the North East Energy for Growth Accelerator.

1. Background

- 1.1** In March 2020, NTCA approved the North of Tyne Energy, Green Growth and Climate Change blueprint and agreed a £24.2m investment fund allocation until 2023 which included £10m for a Green New Deal programme. NTCA Investment Panel, at their meeting in September 2020, agreed an approach for the Green New Deal Programme with £9m to be utilised to establish a North of Tyne Green New Deal Fund and up to £1m to establish technical capacity for the development of a robust low carbon and energy project pipeline. The Green New Deal Fund is part of the £24.2m Energy, Green Growth and Climate Change Programme, agreed by Cabinet in March 2020.
- 1.2** NTCA and the LAs recognise the lack of technical and commercial project development assistance as a key barrier to developing low carbon projects and leveraging additional public and private sector funding. NTCA Investment Panel recommended the use up to £1m to establish enhanced capacity to accelerate the development of a pipeline of shovel-ready low carbon projects in order to maximise national and regional investment. The capacity would consist of an allocated budget for commercial, technical and legal consultancy call of framework for projects to access and associated programme management capacity to support the overall programme.
- 1.3** The report to NTCA Investment Panel in September 2020 highlighted that there was also interest from the wider region to explore ways in which capacity to support green growth could be pooled at a wider level – given the potential for significant synergies at a project and/or programme level, and with many external partners working at a wider geography. Investment Panel agreed that officers should continue to explore these opportunities. Since then the North East LEP has identified and agreed funding to support such a coordinated approach and the NECA authorities have also agreed a contribution.
- 1.4** The business case for the North East Energy for Growth Accelerator resource was considered and agreed by the North East LEP board in December 2020. Total contribution from the North of Tyne would be £495,000 which will draw down £495,000 of North East LEP resources. The additional funding from the North East LEP reduces the call on North of Tyne funding but delivers the same level of activity as originally envisaged at the North of Tyne level only.
- 1.5** The North East Energy for Growth Accelerator is aligned to the North East ‘Energy for Growth’ Strategy developed by the North East LEP in collaboration with regional partners, as part of the Department for Business, Energy and Industrial Strategy (BEIS) Local Energy Programme. It is also a response to the distinct economic opportunities in the region around energy.
- 1.6** The Government estimated pre-Covid-19 that the UK low carbon economy will grow at 11% p.a. between 2015 and 2030, four times faster than the rest of the economy. The Northern Powerhouse estimates this will create an additional 100,000 new jobs across the North by 2050. Accelerating delivery of these opportunities will support a green economic recovery from Covid-19, tackling climate change and building resilient communities.
- 1.7** Investment in local energy projects will also increase community resilience, contribute towards local authority climate emergency goals, and decarbonisation. Green recovery and investment in low carbon projects is also a theme throughout national Covid-19 recovery discussions, early stimulus investment packages, and within the regional Covid-19 response group recovery plan.
- 1.8** However, low carbon energy projects face a range of social, economic, regulatory and technical barriers, and require detailed technical and commercial development to become investment ready. Despite projects that could generate stable income generation (or savings from energy bills), and the potentially huge sums of private finance available to invest,

relatively few projects emerge without resources for project development to allow them to access external funding.

1.9 In order to progress the scale and pace of investment required for the region to decarbonise and realise the associated economic opportunities, new strategic project development capacity will improve investment-readiness of the North East energy project pipeline. The Energy for Growth Accelerator delivery model will pool regional resources to create this developmental capacity at a critical time, and as the clean growth and green recover agenda gathers momentum locally, regionally and nationally.

2. Energy for Growth Accelerator

2.1 The approach for a North East Energy for Growth Accelerator is shaped around the known extent of the regional project pipeline and will ensure a package of project development support is available to accelerate investment. This will enable 'green growth' projects to leverage new funding into the region, while proactively aligning regional funding, stimulating economic recovery and growth, and supporting the rapid decarbonisation required by Climate Emergency plans. The Accelerator model is substantially influenced by national approaches to project development capacity such as the Heat Networks Development Unit, and regional approaches such as the West Yorkshire Combined Authority Energy Accelerator.

2.2 Work undertaken through the Energy for Growth programme has demonstrated the extent of the regional project pipeline which could benefit from 'accelerator' support. A regional energy project tracker has been established with a total value of £314m currently captured. The project on the pipeline vary in terms of development stage, technology type and location, with projects spanning across themes set out in the Energy for Growth Strategy for example; heat networks; mine energy; public estate building retrofit; renewable energy deployment.

2.3 The accelerator is intended to add strategically important energy project development capacity for the North East, substantively helping to address capacity barriers which exist and prevent the maximum amount of energy projects to reach investment ready business case and therefore leverage new investment into the region.

2.4 A fully collaborative approach will be taken to designing and procuring the call-off contract framework for project support, to ensure it meets the needs of North East authorities and provides added value. This call-off contract framework will comprise highly specialist technical, commercial and legal energy project expertise which is outside of the competency of a general energy project manager. Call of contract subsidy will be ringfenced equally by Local Authority area.

2.5 A specification will be jointly developed and approved by a panel of appropriate nominated representatives from the North East LEP, NTCA and Local Authorities. When in place the call-off contract framework will be accessible by regional local authorities to provide any highly specialist expertise needed to develop projects in their respective areas to investment ready business case. The call off contract framework will be utilised for projects across the North East as needed (either for public sector, or private sector led projects).

2.6 A four-monthly 'energy accelerator operations meeting' will be attended by North East LEP Energy for Growth team members, representatives from NTCA and Local Authorities and other appropriate stakeholders as needed to review the regional energy project tracker, active projects, prospective projects for support, and programme risks, so that an overview is maintained of the regional pipeline and progress of the accelerator.

2.7 Appraisal criteria for projects will be agreed by the operations group, to determine which projects which will be worked on by the accelerator staff, and which are appropriate for

consultancy call-off support. Draft criteria for discussion will include; strategic fit to the energy for growth strategy; project location to ensure an equitable regional representation; deliverability; potential funding route identified; scale and impact. There will need to be a minimum threshold or intervention rate from expected investment leverage to ensure value for money, and there is the option to incorporate a contractual requirement to invest in viable projects if technical consultancy support is accessed.

- 2.8** The energy accelerator operations meetings will also provide an overview of progress on development of projects which are being supported by the accelerator, use of call off consultancy support, and an opportunity to share learning and progress from projects which are being progressed. They will also provide an opportunity to discuss and share intelligence on funding opportunities which lend themselves to ultimate delivery of regional energy projects. In addition, the accelerator operational meetings will provide a means of ongoing review of performance and output of the accelerator in terms of project development. A full and robust project evaluation of the Energy for Growth Accelerator will also be undertaken to determine cost-benefit and strategic added value of the project.
- 2.9** The financial performance of the programme will be monitored by the North East LEP and staffing costs will fall within the regular budgetary management processes. The Accelerator team will monitor the draw-down of call off contract support in-line with the total forecast budget and available subsidy from the North East LEP. This will be monitored by Combined Authority and Local Authority area, with regular review as part of the operations meetings to ensure an equitable use across the region is worked towards.
- 2.10** Based on similar successful models elsewhere, it is expected the accelerator would broadly have capacity to substantively support and help progress up to 10 projects per year. These will be projects which can demonstrate a need for additional support in order to progress, and a route to delivery. The following is an estimation of the number of projects which could be supported to implementation over 3 years.

	North of Tyne	Total NE wide
Projects receiving development support	11	27
Projects reaching full business case	10	24
Projects reaching implementation	8	20

- 2.11** There is the potential that fewer projects may be supported if they are larger scale, or more supported if they are smaller and require less support. Projects would receive targeted and expert support to develop their business case, and investment readiness. This would include staff time from the accelerator team and may include use of the call-off contract framework for supplementary highly specialist support.

3. Funding

- 3.1** The Energy for Growth accelerator is to be jointly funded by the North East LEP and regional authorities. The North East LEP will contribute £1,155,000 for the Energy for Growth Accelerator as part of a £2,310,000 overall proposal. Of this £510,000 will be for staffing and £1,800,000 for the specialist call off framework. The North LEP funding will cover 50% of staff costs with equal revenue contributions pro-rata per local authority area funding the core staff resource – for NoT authorities this will be covered by the NTCA contribution. The North East LEP has committed to fund 50% of future consultancy costs for call-off support accessed via a new framework for highly specialist project consultancy which may be needed as projects are developed – for NoT authorities this will be covered by the NTCA contribution. Total

contribution from the North of Tyne would be £495,000 (instead of £1m) which will draw down £495,000 of North East LEP resources.

	Total
Energy of Growth Accelerator Staff costs	£510,000
Energy of Growth Accelerator Technical Call-off Framework	£1,800,000
North East LEP contribution staff	£255,000
North East LEP contribution framework with subsidy per LA of £128,571 ringfenced	£900,000
per LA contribution staff	£36,429
per LA contribution framework (50% match to ringfence)	£128,571
NTCA contribution for 3x NoT Authorities (staff)	£109,287
NTCA contribution for 3x NoT Authorities technical framework	£ 385,713

- 3.2** NTCA Investment Panel considered the proposal for the NTCA contribution towards the North East Energy for Growth Accelerator and recommended to the Interim Head of Paid Service that a North of Tyne Combined Authority contribution of £495,000 should be agreed.

4. Potential Impact on Objectives

- 4.1 The proposals to establish the North East Energy for Growth Accelerator is consistent with the priorities set out in NTCA's vision and in line with Offshore Wind Sector Development Narrative agreed in April 2020.

5. Key Risks

- 5.1 Programme risks will be managed in line with agreed process and individual project risks will be considered as each proposal comes forward.

6. Financial and Other Resources Implications

- 6.1 The total contribution required from NTCA is £495,000 (of the £1m agreed by Investment Panel in September 2020) which will draw down £495,000 of North East LEP resources. The additional funding from the North East LEP reduces the call on North of Tyne funding but delivers the same level of activity. The contribution is revenue funding with staff cost contributions drawn down on a quarterly basis and call off contributions for North of Tyne related projects drawn down as and when North of Tyne projects are progressed through the accelerator process for support.

6.2 The funding breakdown for the Energy for Growth Accelerator is as follows:

Funding Source	2020/21	2021/22	2022/23	2023/24	Total
LEP Grant Funds					
50% Staffing contribution	£20,000	£91,500	£93,000	£50,500	£255,000
50% Call off contract contribution	£87,500	£350,000	£280,000	£182,500	£900,000
North of Tyne Combined Authority					
3/7 th Staffing contribution	£8,571	£39,214	£39,857	£21,643	£109,285
Call off contract contribution	£37,500	£150,000	£120,000	£78,214	£385,714
Durham County Council, Gateshead Council, South Tyneside Council and Sunderland City Council					
4/7 th Staffing contribution	£11,429	£52,286	£53,143	£28,857	£145,715
4/7 th Call off contract contribution	£50,000	£200,000	£160,000	£104,286	£514,286
Total	£215,000	£883,000	£746,000	£466,000	£2,310,000

7. Legal Implications

7.1 The Interim Monitoring Officer's comments have been included in this report

8. Equalities Implications

8.1 North of Tyne constituent local authorities have in place individual equality policies which they adhere to and are in line with the Public Sector Equality duty. All applicants will be required to evidence their commitment to equalities, diversity and inclusion and the extent to which supported projects advance these objectives.

9. Inclusive Economy Implications

9.1 Construction/delivery jobs will be supported in the supply chain for delivery of the energy projects which reach investment and implementation stage. These are likely to be construction/civils jobs predominantly, and jobs in energy technology sectors which also offer specific growth opportunities for the North East. NTCA will work with project sponsors to ensure that Inclusive Economy target groups are engaged.

10. Climate Change Implications

10.1 All seven Local Authorities in the North East and both Combined Authorities have declared a climate emergency. This programme has been developed to address key market barriers to investment in low carbon projects and will accelerate investment in decarbonisation across the North East.

11. Consultation and Engagement

11.1 The project has been discussed at Technical Officers Group meeting, Investment Panel, at Officer level in NTCA, LA7 Economic Directors and the North East LEP Investment Panel.

12. Appendices

None

13. Background Papers

- 13.1 NTCA Delegated Decision Report 1st April 2020, Investment Fund Update, Part B: Energy, Green Growth and Climate Change – a North of Tyne Blueprint
<https://www.northoftyne-ca.gov.uk/wp-content/uploads/2020/09/20200401-InvestmentB-report.pdf>

14. Contact Officers

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15. Sign-off

1) Mayor and Portfolio holder Yes	2) Director/SMT Yes	3) Chief Finance Officer: Yes	4) Monitoring Officer: Yes	5) Head of Paid Service: Yes
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