
Cabinet

13th February 2024

Name of Cabinet Member:

Cabinet Member for Jobs, Regeneration and Climate Change - Councillor J O'Boyle

Director approving submission of the report:

Director of Business, Investment and Culture

Ward(s) affected:

All

Title:

Business Energy Advice Service (BEAS)

Is this a key decision?

Yes - the proposals involve financial implications in excess of £1m per annum.

Executive summary:

In the first half of 2023, West Midlands Combined Authority (WMCA) and its Constituent Authorities and Universities have worked with government to design a programme of energy efficiency audits and Capital Grants covering the West Midlands International Territorial Level (ITL) 1 region. The scheme was developed in response to concerns that the West Midlands contains a relatively high proportion of energy intensive businesses (notably manufacturers) and that rising energy costs was a major threat to the long-term competitiveness of a significant number of businesses and could put jobs at risk. The West Midlands Industrial Energy Taskforce, which was charged with exploring this issue, concluded that a more in-depth business support and finance programme was required to complement the Decarbonisation Net Zero Programme that is being funded through UK Shared Prosperity Fund (UKSPF), which Coventry City Council is delivering for Coventry businesses, which was agreed by CCC Cabinet in February 2023.

In total, government has allocated £24.6m to the West Midlands ITL1 region, with the region needing to deliver energy efficiency audits to 4,000 businesses by March 2025, and awarded Capital Grants of up to £100,000 to support some of these businesses to tackle financial barriers to implementing capital investments to improve energy efficiency. The expectation is that the activities will improve energy consumption by reducing energy bills and therefore improve productivity, reduce carbon emissions, and will both protect good quality jobs and create new skilled jobs.

Given the size of the geographical area being targeted, a consortium of Delivery Partners has been developed. Coventry has been included within the WMCA delivery area, and similar to the UKSPF Decarbonisation Net Zero Programme delivery arrangements, Coventry City Council (CCC) has been selected to deliver Energy Audits for Coventry businesses as part of a consortium led by Aston University. In addition, Coventry City Council has been selected to administer the Capital Grants fund for Coventry businesses, as part of a consortium led by Birmingham City Council.

The BEAS programme is initially being delivered in the West Midlands as a national Pilot up to March 2025. It is, at the time of writing, not clear what government's plans are for the programme beyond March 2025.

The total BEAS funding currently allocated to Coventry City Council amounts to £1,689,679.00 up to March 2025. It includes £346,000.00 to deliver 277 Energy Audits to Coventry businesses, plus £1,343,679.00 to deliver grants of up to £100k to Coventry businesses and associated programme management and grant administration costs. Out of such totals, CCC's revenue for Project Management and Grant Administration staff will be £9,700.00 until March 2024 and then £192,000.00 to fund staff from April 2024-March 2025. It should be noted that the funding for Coventry, which is part of the WMCA area allocation, is indicative and the value could change depending on levels of demand and take-up from the other Constituent Authority areas.

To account for potential high levels of demand from Coventry businesses and the fact that potential underspend at regional level for other LAs, could mean further Grant funds for Coventry, the report also requests authority to accept further grant allocation **up to the total sum of £2.5m** of BEAS funding to deliver Energy Audits, and for delegated authority to enter into funding agreements.

Delegated authority is also sought to contract with Lead Delivery Partners in order to complete this work.

Recommendations:

Cabinet is recommended to:

- 1) Approve the acceptance of BEAS funding £1,689,679 for delivery and management of Energy Audits and any further allocation up to and including grants up to a maximum of £2.5m.
- 2) Grant delegated authority to the Director for Business, Investment and Culture, following consultation with the Chief Operating Officer and the Chief Legal Officer and following consultation with the relevant Cabinet Member(s), to undertake all necessary due diligence in relation to the funding allocation, including the authority to establish and implement the grant scheme necessary to deliver the BEAS.
- 3) Grant delegated authority to the Director for Business, Investment and Culture, following consultation with the Chief Operating Officer and the Chief Legal Officer and following consultation with the relevant Cabinet Member(s), to enter into back-to-back contracts with the Lead Delivery Partners – Aston University for Energy Audits and Birmingham City Council for Capital Grants and any other external providers that may be required to deliver some activities, as deemed necessary.

List of Appendices included:

None

Background papers:

None

Other useful documents

None

Has it or will it be considered by Scrutiny?

No

Has it or will it be considered by any other Council Committee, Advisory Panel or other body?

No

Will this report go to Council?

No

Report title: Business Energy Advice Service (BEAS)

1. Context (or background)

- 1.1. During the first half of 2023, WMCA, its Constituent Authorities and the region's universities has worked with the UK government to design a programme of Energy Efficiency Audits and Capital Grants (i.e. the BEAS programme) that would support West Midlands businesses to tackle challenges associated with rising energy costs, and thereby improve levels of energy efficiency, reduce carbon emissions, and tackle rising energy costs in order to safeguard long-term competitiveness, improve productivity, protect jobs and create new jobs.
- 1.2. The BEAS programme was designed in response to concerns emerging from the West Midlands Industrial Energy Taskforce. This was a private sector led Group, consisting of key Business Bodies and Sector Groups, and was set up by the Mayor of the West Midlands to identify the scale of risks to the region's businesses of rising energy costs from early 2022 onwards. One of the key drivers was that the West Midlands has a proportionately high concentration of energy intensive businesses, particularly in the manufacturing sector, and the Taskforce established that without interventions, the competitiveness of a high number of businesses and potentially jobs were at risk.
- 1.3. The interim findings of the Taskforce's work were presented to representatives of the WMCA, region's Local Authorities and Universities to help inform considerations for the design of future appropriate business support programmes, with the final report published in July 2023. One of the key conclusions of the Taskforce was that although WMCA had directed some of its UKSPF allocation to the Decarbonisation Net Zero Programme, more in-depth interventions were required to tackle the escalating challenges in the area of energy efficiency and net zero and improving energy management (going beyond just the energy efficiency of business premises), including specific interventions to support the most energy intensive businesses. The Taskforce Report also recommended that lessons from additional support measures delivered in the West Midlands should then also be applied nationally.
- 1.4. As a result, the BEAS programme of Energy Audits (4,000 in total, with more in-depth audits for the most energy intensive businesses) and Capital Grants of up to £100k was established to cover the ITL1 West Midlands region. The West Midlands has been selected as the region to pilot a national programme, with £24.6m of funding allocated to the region from the Department for Energy Security & Net Zero (DESNZ) and Department for Levelling Up, Housing & Communities (DLUHC) in August 2023.
- 1.5. The WMCA will be the Accountable Body for the overall programme, Delivery will be across the ITL1 geography of the West Midlands (reflecting the same geographical scale of delivery as the Made Smarter West Midlands programme), although the majority of the delivery (and all of the DLUHC funded aspect) will be within the WMCA area. The programme is aligned to the WMCA Decarbonisation Net Zero programme (funded through UKSPF), and similar programmes across Worcestershire and the Marches, Warwickshire, and Staffordshire. Of the £24.6m, £9.1m has been allocated to delivering Energy Audits and £15.5m to Capital Grants (£10.5m of which will be to the WMCA area).

- 1.6. Because of the scale of delivery, it has assigned lead bodies to be Lead Delivery Partner in each sub-region, who will contract directly with WMCA. In some cases, the Lead Delivery Partners have sub-contracted delivery of the services given the scale of activities required.
- 1.7. Within the WMCA area, given the size of the business population in the WMCA area, a pool of providers has been established for both the audits and grants. They will be sub-contracted by the Lead Delivery Partners assigned by WMCA, who are Aston University for the Energy Audits and Birmingham City Council for the Capital Grants (BCC received Cabinet approval in October 2023 for the management of the Grant element of the BEAS Pilot Project). In other parts of the ITL1 region, the relevant County Councils have been assigned as Lead Delivery Partner, but some have sub-contracted elements of delivery to other organisations.
- 1.8. **Energy Audits.** Aston University (assigned as Lead Delivery Partner for the Energy Audits in the WMCA area) will sub-contract Coventry City Council to deliver Energy Audits to Coventry businesses, building on CCC's role in delivering the UKSPF-funded Decarbonisation Net Zero Programme in Coventry and previous delivery of the Coventry & Warwickshire Green Business Programme. CCC will be awarded £346,000 to deliver 277 audits, which will support businesses across a wide range of sectors in quantifying and benchmarking their emissions (audits of the energy used by their buildings, industrial processes and operations), identify cost-effective energy saving measures, set validated emissions targets and embed low carbon strategy within the company. CCC will therefore need to submit claims and required evidence for the Audits to Aston University and will receive payments following the acceptance of claims.
- 1.9. **Capital Grants.** Birmingham City Council (assigned as Lead Delivery Partner for Capital Grants in the WMCA area) will subcontract CCC to deliver and administer Capital Grants of up to £100,000 for Coventry businesses through this Fund. CCC will be awarded a total of £1,343,679 to deliver and manage the grants. The grants will subsidise business investment in reducing energy demand. Grants will be for the energy efficient replacement and/or upgrade to existing industrial or commercial processes or buildings. CCC will therefore need to submit claims and required evidence for the Capital Grants to Birmingham City Council and will receive payments following the acceptance of claims.
- 1.10. It should be noted that funding allocations within the WMCA area are indicative. We have therefore made provisions within this paper to take on additional grant funding if the need and demand for the Capital Grants and/or Energy Audits from Coventry businesses proved to be high and/or demand from other parts of the region proved to be lower than first expected and a reallocation of the remaining funds is implemented within the WMCA area.

2. Options considered and recommended proposal

- 2.1. The Council could have chosen to decline the opportunity to act as the delivery body for any BEAS activities in Coventry. With WMCA having overall responsibility for the funding and accountability to government, the Council could have chosen to undertake a purely strategic role, working with WMCA to define the activities that would make the biggest difference in the city, and leaving them to commission other third-party providers to deliver the activities. This approach has been discounted because the Council has an

excellent track record of using EU and UK Government funding to run successful projects in delivering support to businesses in the areas of energy and resource efficiency and net zero, not least through the successful Coventry & Warwickshire Green Business Programme, which was funded through European Regional Development Fund (ERDF) up to June 2023. The Council acted as lead partner for this programme, and if it did not take on this role there is a risk that the overall offer for local residents would be much poorer.

- 2.2. A second option could have been for the Council to only deliver one of either the BEAS Energy Audits or Capital Grants, and to leave WMCA to appoint a third party to deliver the other activity. This option was discounted because one of the key success factors behind the Council's previous business support delivery in this subject area has been the ability to deliver an integrated service of grants following Energy Audits and other non-financial support that have identified where businesses most need intervention. A further challenge is that different organisations delivering the Energy Audits and Capital Grants would have delivered less clear messages for Coventry businesses and a less coherent customer journey.
- 2.3. The recommended option is for Coventry City Council to act as the delivery body for Energy Audits and Capital Grants in Coventry, sub-contracted by the Lead Bodies of Aston University and Birmingham City Council respectively. This will allow the Council to continue delivering its high-quality in-house service in energy and resource efficiency and net zero to Coventry businesses and integrated model of grant and non-financial support to Coventry businesses. The preferred option is for Coventry City Council to continue building on the successes and service delivery methods that worked so well in previous delivery of Coventry & Warwickshire Green Business Programme in particular.

3. Results of consultation undertaken

- 3.1. Securing BEAS funding and delivery will support the aims of the Council's Economic Development Strategy, which was approved by Cabinet in October 2022. In preparation of these strategies consultation was undertaken with the public, as part of the overall One Coventry Plan consultation process.

The Council continues to consult with its partner organisations to define the details of business support activities in Coventry on an ongoing basis. This includes (but not limited to) Coventry and Warwickshire Growth Hub, Coventry and Warwickshire Chamber of Commerce, Coventry University, University of Warwick and the Federation of Small Businesses. Through this, we will seek to ensure that the business support services and programmes delivered by different organisations are interlinked and are meeting local business needs and opportunities.

4. Timetable for implementing this decision

- 4.1. The current BEAS programme makes funding available during the financial years 2023/24 and 2024/25. With the funding due to end in March 2025 and delivery timescales running concurrently with UKSPF-funded business support activities, we will work with local partners to ensure the pipeline of potential beneficiaries grows rapidly in order that the targets for number of audits delivered and grants paid to businesses can be achieved.

5. Comments from Chief Operating Officer (Section 151 Officer) and Chief Legal Officer

5.1. Financial Implications

The report seeks authority to accept an initial allocation £1,689,679 and any further allocation up to and including o £2.5m of external BEAS grant for the purposes set out in section 1 of the report. This is the indicative allocation for Coventry for the delivery of Energy Audits and Capital Grants, plus enough flexibility to accept additional funds if Coventry's indicative allocation for Capital Grants and/or Energy Audits were to change due to high demand.

It is not expected that match funding is required, however where this may be the case, this will be achieved using existing operational budgets in the Economic Development Service. No new commitments of match funding will therefore be required as a result of the decisions recommended in this report.

The vast majority of the grant monies awarded will be directed at the services set out in the report, and some of the funding will support the management and administration of the Capital Grants at £201,552 of the overall allocation. The Economic Development Service budgets are set up to accept and manage funding from the grant regimes they deliver.

The WMCA is the nominated Accountable Body for BEAS, however they will award monies to the Lead Bodies of Aston University and Birmingham City Council through formal legal Grant Aid Agreements. In awarding monies to the City Council, Aston University and Birmingham City Council will pass delivery risk to the City Council through formal legal Back-to-Back Agreements. See section 6.2 of the report which outlines the approach to risk management.

5.2. Legal Implications

All the activities carried out with BEAS funding will need to comply with Subsidy Control Legislation that has now come into force. Under the new regime, public authorities will be required to self-assess whether the financial assistance they provide is consistent with key principles and will be required to publish information about any subsidies provided.

CCC Law and Governance Service will work with the delivery teams to ensure that any support provided to businesses or delivery partners is compliant with these rules.

Where applicable, the rules governing Public Procurement will also need to be complied with. To demonstrate value for money, any procurement process required to deliver the range of projects if funding is secured, will be considered per project in accordance the grant conditions, the Councils Contract Procedure Rules and the Public Contract Regulations 2015.

6. Other implications

6.1. How will this contribute to the One Coventry Plan?

<https://www.coventry.gov.uk/strategies-plans-policies/one-coventry-plan>

Securing BEAS funding and delivering the Energy Audits and Capital Grants will make a very important contribution to the achievement of the Council's core aims. The activities through the Local Business Priority are expected to help to deliver the One Coventry Plan's objective of Improving the Economic Prosperity of the City and Region by helping businesses to provide a stronger platform for growth and boost their longer-term competitiveness. It will also raise the profile of Coventry as a leader in "green innovation". The activities will also be expected help to "Tackle the Causes and Consequences of Climate Change".

Finally, securing the BEAS funding, and acting as deliverer for both the Energy Audits and Capital Grants, will contribute to the Council's aim to act as leader and enabler for the city, ensuring that through our relationship with WMCA and other organisations delivering business support in the area net zero in the West Midlands (notably Aston University), the very best outcomes are achieved for our businesses and residents as jobs are safeguarded.

6.2. How is risk being managed?

Coventry City Council has a long track record of delivering externally funded skills and business support projects, and the risks associated with this type of work are well understood. For example, there are financial risks such as the failure to deliver output or financial targets, and the risk that this could lead to funding clawback. Risks of this kind are mitigated by ensuring that sufficient programme management resource is available to enforce adherence to the funder's rules, and to work closely with delivery partners to ensure they are producing eligible outputs on time and on budget. There is sufficient experience in the business support delivery and programme management teams in the Economic Development Service to manage these risks appropriately at Service or Division level and an entry on the corporate risk register will not be necessary for this.

6.3. What is the impact on the organisation?

The principal impact on the organisation will be securing funding for staff directly employed by the Council working on our business support or employment and skills activities. Successfully securing the BEAS funding for these activities will provide funding crucial to retaining highly skilled staff currently working on projects which are due to come to an end later this year. There are no impacts on ICT, accommodation, assets etc.

6.4. Equalities / EIA?

A detailed Equalities Impact Assessment of the new business support programmes which are being funded by UKSPF and BEAS has been prepared. The Equalities Impact Assessment has considered this impact for both Coventry's business base and our communities. It has considered the barriers to accessing business support; for example, whether people from different ethnic groups are less likely to benefit from the support we provide or whether some areas of the city are more difficult for projects to reach.

Equalities impact work has also been completed for the Economic Development Strategy, which has informed the approach to this work.

6.5. Implications for (or impact on) climate change and the environment?

If we secure approval to accept the BEAS funding, the Energy Audits and Capital Grants will continue the work of the Coventry and Warwickshire Green Business Programme and formative work of the UKSPF-funded Decarbonisation Net Zero Programme, which has had a positive impact on the environment by helping to reduce carbon emissions from local businesses. If this work can continue the decisions recommended in this report will have a positive impact on climate change and the environment. The Audits could also provide businesses with a route to improving green skills, and businesses will be referred to local skills support, where appropriate.

6.6. Implications for partner organisations?

We will be working closely with key partners operating at a regional level in Aston University in the area of delivering Energy Audits and Birmingham City Council in managing grant funds. We will also continue to work closely with key local business support partners (including but not limited to Coventry & Warwickshire Growth Hub, Coventry & Warwickshire Chamber of Commerce, Coventry University and WMG), as we expect to receive a number of cross-referrals from these organisations of local businesses that could benefit from the services. As such, we will work closely with these organisations to market the BEAS programme and maximise levels of awareness of the services amongst the local business base and how they can deliver benefits for local businesses.

Report author:

Steve Weir
Head of Economic Development

Service:

Business, Investment and Culture - Economic Development

Tel and email contact:

Tel: 024 7697 1074

Email: stephen.weir@coventry.gov.uk

Enquiries should be directed to the above person

Contributor/approver name	Title	Service Area	Date doc sent out	Date response received or approved
Contributors:				
David Hope	Business Development Manager	Business, Investment and Culture - Economic Development	30 th November 2023	6 th December 2023
Giuliana Famiglietti Pipola	Business Development Manager	Business, Investment and Culture - Economic Development	6 th December 2023	8 th December 2023
Suzanne Bennett	Governance Services Officer	Law and Governance	12 th January 2024	18 th January 2024
Names of approvers for submission: (officers and members)				
Helen Williamson	Finance Manager	Finance	18 th December 2023	15 th January 2024
Oluremi Aremu	Head of Legal and Procurement	Law and Governance	18 th December 2023	16 th January 2024
Andy Williams	Director of Business, Investment and Culture	-	16 th January 2024	18 th January 2024
Councillor J O'Boyle	Cabinet Member for Jobs, Regeneration and Climate Change	-	18 th January 2024	22 nd January 2024

This report is published on the council's website: www.coventry.gov.uk/meetings