

Decision maker:	Director of Economy and Place
Decision date:	Friday, 22 November 2019
Title of report:	Business Energy Efficiency Programme
Report by:	Energy and active travel manager

Classification

Open

Decision type

Non-key

Wards affected

(All Wards);

Purpose and summary

To approve Herefordshire Council's participation in the second phase of the European Regional Development Funded Business Energy Efficiency Programme (BEEP) led by Worcestershire County Council.

This three year project will offer 50% capital grants of up to £20,000 to small and medium sized business in Herefordshire to support investment in energy efficiency, waste and water reduction projects.

Led by Worcestershire County Council this project will support businesses across Worcestershire, Herefordshire, Shropshire and Telford & Wrekin.

The total grant allocation for businesses in Herefordshire is £244,800

The required match funding contribution from Herefordshire Council is £16,176 in addition to a maximum liability of £37,476 for a potential gap of private sector leverage towards the administration costs of the project

Recommendation(s)

That:

- (a) Herefordshire Council participates in the second phase of the Business Energy Efficiency Programme; and**
- (b) match funding of £16,174 be approved; and**
- (c) the council underwrites a maximum sum of £37,476 should private sector leverage towards the administration costs of the project not be realised.**

Alternative options

1. Not to participate in the project. This is not recommended as it will not result in the provision of business assistance, technical support and capital grants to Herefordshire. This assistance will support businesses increase competitiveness, to minimise their utility costs and to reduce their carbon emissions. This will result in a risk of not achieving the council's strategic objectives within the Core Strategy, Carbon Management plan, Marches LEPs Energy Strategy and Strategic Economic Plan.

Key considerations

2. The Business Energy Efficiency Programme is part funded by the European Regional Development Fund, and is administered by Worcestershire County Council, in partnership with Herefordshire Council, Telford and Wrekin Council, Worcestershire Councils, Herefordshire and Worcestershire Chamber of Commerce and Shropshire Chamber of Commerce.
3. The programme is available to businesses throughout Worcestershire, Herefordshire, Telford & Wrekin and Shropshire.
4. Herefordshire Council was a partner in the very successful first phase of the Business Energy Efficiency Programme, which operated between 2016 and 2019. The outcomes of this project included:
 - 63 Herefordshire businesses benefited from free energy assessments and business assists.
 - The full grant allocation of £180,000 was successfully allocated within Herefordshire and an extension of a further £100,000 was also successfully committed. Combined this totalled £280,000 of capital grants which were provided to Herefordshire businesses.
 - The successful installation of the associated energy efficiency projects such as LED lighting, heating improvements, process improvements and insulation has resulted in a total annual financial saving of £556,000 and the reduction of 920 tonnes of carbon dioxide.
 - The Herefordshire match funding contribution for the first programme was £14,966 and £10,500 of in-kind officer time. The Council also accepted the liability for the private sector match, valued at £35,667, however due to the success of the scheme this was not required.
5. The second round of the project will cover the period 2019 – 2022 and aims to build on the success of the initial project.

6. The grant allocation and proposed outcomes for the full three year project duration include:
 - The provision of 60 free energy efficiency assessments to small and medium sized businesses (SME's) in Herefordshire
 - A total grant allocation in Herefordshire of £244,800
 - A target reduction of 591 tonnes of carbon dioxide per annum in Herefordshire.
7. Due to the EU funding criteria this support is aimed at businesses who primarily serve other businesses. Some industries such as primary agriculture and retail are not eligible. Retail is defined as the provision of goods and services to the general public. Other activities excluded are social welfare and education facilities, banking and insurance. Priority will be given to businesses that help meet the projects aims.
8. To qualify, businesses must:
 - be situated in and trading from Worcestershire, Herefordshire, Telford and Wrekin and Shropshire
 - employ fewer than 250 employees
 - have a turnover of less than the equivalent of 50 million Euros per annum or an annual balance sheet of less than 43 million Euros
 - have a minimum energy spend of £2,000
9. As the accountable body Worcestershire County Council are lead authority and have employed dedicated officers to managing the delivery of the joint project. Herefordshire Council officers will attend the steering group, grant appraisal panel and project board.
10. The project manager, employed by Worcestershire County Council, will review the grant applications and will present them to the grant appraisal panel which includes representation from each project partner. Applications will be assessed against an agreed scoring criteria which considers energy and carbon savings, value for money and the projects eligibility. Applications recommended by the appraisal panel will be awarded by Worcestershire County Council as the accountable body.
11. The project will continue to be promoted to Herefordshire businesses through the Marches Growth Hub, Chamber of Commerce, Business Futures Forum and by the council's economic regeneration, energy & active travel and communications teams.

Community impact

12. The project will contribute towards the following local and regional strategic priorities, targets and legislation:
 - Herefordshire Council Corporate Plan Priorities
 - i. Support the growth of our economy
 - ii. Secure better services, quality of life and value for money

13. On 26th September 2019 the council committed to leading a local response to climate change and to develop a new carbon reduction strategy and action plan aspiring for carbon neutrality by 2030. This project will deliver large reductions in annual energy consumption and carbon emissions from local businesses which will support the delivery of this commitment.
14. The Marches LEP European Structural Investment Fund (ESIF) Strategy 2014-20: 'supporting the shift towards a low carbon economy'. This project seeks to 'support energy efficiency, smart energy management and renewable energy use in businesses'.
15. Extending the Business Energy Efficiency Programme will continue to contribute towards the delivery of the council's corporate plan priority of supporting economic growth by improving access to finance for SMEs.

Equality duty

16. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to -

 - (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
17. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services.
18. Equality implications will be considered throughout this project and the appropriate clauses will be included in agreements and grants that are offered through this scheme. The programme will also ensure that all businesses are treated equally when seeking to access the scheme..

Resource implications

19. The total match-funding requirement from Herefordshire Council is £16,174 which will be met through existing budgets. This will leverage a total of £244,800 of ERDF grant funding to support SME's in Herefordshire.
20. As the project utilises an element of the private sector match funding as match funding towards the administration costs, there is a risk that if the scheme is not successful then there will be a shortfall of local match funding.
21. This liability has been apportioned across the project partners and the total maximum liability for Herefordshire Council is £37,476. This liability will reduce with each successful grant application in Herefordshire.

22. The original project also included a total maximum liability of £35,667 for the private sector match, however this was not required and the project outcomes and private match contributions were exceeded early in the project.
23. Due to the resounding success of the first three year phase of the programme, the ongoing local demand, the risk of the underperformance and for the council requiring to meet this liability is considered minimal.
24. The council does however have the option to withdraw from the scheme in order to minimise this liability if the Herefordshire take up is low. Here the remaining funding would be either re-allocated to another council area or would be de-commit from the programme.
25. The project includes a marketing and promotions budget, held by Worcestershire County Council to fund promotions, events and promotional materials. This will be supported by local promotion by partners including the Herefordshire & Worcestershire Chamber of Commerce.

Legal implications

26. The council has a number of statutory powers allowing it to borrow and lend money: the most relevant of these is section 1 (1) of the Localism Act 2011 which provides the council with a general power of competence i.e. the ability to do anything an individual might do, including the lending of money.
27. There are no other significant legal implications arising from this report.

Risk management

Risk / opportunity	Mitigation
Resources (risk) - whilst the revenue match contribution will be met within existing budgets, the council is also required to under-right the risk of a potential shortfall from the private sector match. The total maximum liability is £37,476 over the three year project duration.	<p>In order to generate a project pipeline to facilitate/support grant applications the project includes provision of a dedicated project manager at Worcestershire County Council, an Energy Advisor at the Hereford & Worcester Chamber of Commerce and also a marketing and promotions budget. This will be further supported by Herefordshire Council promoting the scheme through existing business networks, newsletters, the Marches Growth Hub and the council's website/social media.</p> <p>This programme builds on the success of the previous programme which had a high demand in Herefordshire where the full grant allocation was committed early and an extension with additional budget was also delivered.</p> <p>If the scheme proves unpopular and local uptake is low, the council does retain the</p>

	option to withdraw from the scheme to reduce the liability on the private sector match. Here performance and grant applications will be monitored through the monthly performance reports, grant appraisal panels and project board.
Reputation (risk and opportunity) - there is a reputational risk of not partnering to the second phase of a very successful and popular business support programme. This programme will also support the Council's aspiration to achieve carbon neutrality by 2030.	The recommendation is to approve the council's participation in this programme.

Consultees

28. None

Appendices

- None

Background papers

- None