



Name of meeting: Investment Board

Meeting date: 10 March 2025

Report title: Extension of the Business Energy Assessment Service (BEAS)

Responsible Director: Ed Cox

Report author: Jamie Elliott

Key Decision? Yes

Is the ability for the Combined Authority to make a decision internally reliant on Constituent or Non-Constituent Councils making a formal decision first?

Yes No

(If Yes – please contact the Member Relationship Manager to manage this process)

Recommendations

- (1) Approve that the West Midlands Combined Authority accept Accountable Body status for £14m of funding from the Department of Energy Security and Net Zero (DESNZ) to continue delivery the pilot Business Energy Assessment Service (BEAS) for another year.
 - (2) Delegate authority to the WMCA Section 73 Officer to accept the funding awarded from DESNZ, subject to the finalised terms and conditions of this funding being acceptable.
 - (3) Approve £5.45m of budgeted WMCA resources supplement the programme as detailed within Section 7.
 - (4) Delegate authority for onward funding and commissioning, to the WMCA Executive Director - Strategy, Economy & Net Zero in conjunction with WMCA Section 73 Officer and Director of Law, Governance and Audit.
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Voting Requirements

A majority of voting members, in attendance in the meeting room and indicating their preference, are required to vote in favour of any recommendations for it to become a decision of the board.

1. Executive Summary

- 1.1 The Department of Energy Security and Net Zero have asked the WMCA to act as the accountable body for an extension of the Business Energy Assessment Service (BEAS) programme for a further year. This programme will continue to deliver energy efficiency assessments and grants to businesses across the ITL1 region of the West Midlands. DESNZ have allocated £14m for this extension (£4m RDEL and £10m CDEL).
- 1.2 The WMCA would also like to match the CDEL funding with £4.45m of CDEL and £1m RDEL from the Trailblazer Devolution Deal Capital (subsequently substituted for Investment Programme funding). This funding has been fully devolved to WMCA, and there are no set dates by which funding must be utilised. Therefore, WMCA can carry this funding over and not be in breach of the overarching Investment Programme grant conditions stipulated by MHCLG (see attached Appendix 1 and 2).

2. Matters for Consideration

- 2.1 The Department for Energy Security and Net Zero (DESNZ) currently offers support for energy efficiency to business and industry, including the Industrial Energy Transformation Fund, offering grant support starting at £100k, and is currently working on developing a Digital Energy Advice Service, to ensure information barriers to energy demand reduction are addressed. However, there is currently no dedicated England-wide service for offering assessments and financial support to SMEs, or a clear way of analysing local programmes holistically. Further, the Department does not currently have enough evidence around the barriers facing SMEs to support a dedicated nationwide service or more developed offer immediately.
- 2.2 The West Midlands has a higher proportion of energy exposed businesses than any other UK region. These businesses are threatened by both rising energy costs and the need to transition to net zero. Targeted public investment can reduce or remove these market failures and support continued regional competitiveness and growth.
- 2.3 To address this the West Midlands Combined Authority (WMCA) has been running the Pilot Business Energy Assessment Service (BEAS), on behalf of DESNZ, in the ITL1 region of the West Midlands since September 2023.
- 2.4 The objectives of this programme were to:
 - Drive an increase in regional Energy Productivity within the West Midlands ITL1 area.
 - Reduce energy input required as % of regional GVA and in addition increase in productivity from new investment in new processes.
 - Provide sufficient data to DESNZ to inform future policy.
- 2.5 The programme provides energy efficiency assessments which are supported by capital grant funding to implement the recommendations of the assessments.
- 2.6 The original BEAS Budget was £24.6m consisting of £9m RDEL and £5m CDEL from DESNZ and £10.5m CDEL from DLUHC as part of the WMCA devolution deal. Due to delays in the programme starting and mobilisation issues there has been a significant underspend in the programme. The forecast spend of the DESNZ funding is £8.4m (£6m RDEL, £2.4m CDEL) and only £2.6m of the DLUHC CDEL budget will be spent.

- 2.7 DESNZ have asked that the programme is extended for a further year to ensure that they have enough data to design a UK wide programme. £4m in RDEL and £10m in CDEL will be provided by DESNZ for this extension.
- 2.8 It is anticipated that subject to approval of this report, £5.45m of budgeted WMCA resources will supplement the programme as detailed within Section 7 and outlined in the Table 1 below.
- 2.9 The programme is currently delivering at full capacity with all elements in place, we are seeking to maintain the momentum achieved to date.

Table 1: BEAS 2.0 Budget

	DESNZ RDEL		DESNZ CDEL	WMCA CDEL	WMCA RDEL	TOTAL
	Delivery Costs	Project Mgmt Costs				
Standard Audit Delivery	£1.29m	£0.27m	£0	£0	£0	£1.57m
Energy Intensive Audit Delivery	£1.36m	£0.21m	£0	£0	£0	£1.57m
WMCA Grant Delivery	£0	£0	£5.55m	£4.45m	£1.00m	£11.00m
Non WMCA Grant Delivery	£0	£0.39m	£4.45m	£0	£0	£4.84m
WMCA Costs	£0.17m	£0.31m	£0	£0	£0	£0.48m
TOTAL	£2.82m	£1.18m	£10.00m	£4.45m	£1.00m	£19.45m
TOTAL DESNZ RDEL	£2.82m	£1.18m				£4.00
TOTAL DESNZ CDEL			£10.00m			£10.00
TOTAL WMCA CDEL				£4.45m		£4.45m
TOTAL WMCA RDEL					£1.00m	£1.00m
TOTAL						£19.45m

- 3. What options have been considered and what is the evidence telling us about them?**
- 3.1 The original BEAS programme ran alongside similar programmes (Decarbonization Net Zero) run by the WMCA and other LA partners funded through UKSPF. The UKSPF funding for 25/26 is 20% less than was received in 24/25 which has put pressure on how this funding will be used.
- 3.2 In light of the new BEAS funding the WMCA has decided to no longer fund the Decarbonization Net Zero programme and deliver all energy efficiency assessments in the WMCA region through BEAS. The other LA partners have made similar decisions.
- 3.3 If the additional funding is not approved the project will cease with the following impact:

- There may be political repercussions in the relationship between DESNZ and the WMCA. The WMCA has a strong relationship with DESNZ and has been asked to deliver this important pilot.
- The WMCA (and other LA partners) will be required to find funding to support its Net Zero ambitions from other sources such as the Integrated Settlement significantly reducing funding to other business support programmes.
- There will be a delay in providing support to businesses in the region, potentially by several months.
- Note should the funding from not come forward or is rejected then the whole programme will not continue, and the Investment Programme funding will not be required.

4. Reasons for recommending preferred option

4.1 We recommend that the funding is accepted, the benefits are:

- Over 1000 businesses within the West Midlands will have free energy assessments and have access to £10.45m in grant funding to improve their energy costs.
- The region will be the exemplar for how this type of support can be provided on a large scale.
- The funding may be incorporated into the IS in the next spending review ensuring continuity of funding for several years.

4.2 Based on the 2000+ assessments delivered to date, if all of the recommendations are followed, businesses in the ITL1 region of the West Midlands could deliver an estimated annual energy saving of over 95GWh/yr, an estimated carbon reduction of 34,000 tonnes of CO2/yr and savings to the West Midlands businesses of over £16m/yr.

4.3 If the BEAS programme continues for a further year we would expect an estimated energy saving of 50GWh/yr, a reduction of 17tonnes CO2/yr and further savings to West Midlands businesses of £8m/yr.

4.4 Forecasted outputs are shown in Table 2.

Table 2: Forecasted Outputs by Sub Region

Sub-Region	Assessments
WMCA Standard Audit Delivery	735
Worcestershire and Marches	170
Warwickshire	125
Stoke and Staffordshire	145
Total Standard Assessments	1,175
ITL1 WM Energy intensive Audit Delivery	160
Total Energy Intensive Assessments	160
TOTAL Assessments	1,335

5. Implications and Considerations

Priority:	Contribution:
Delivery of Strategic Transport Plan	N/A
Promote inclusive economic growth in every corner of the region	The recommendations provided by the energy efficiency assessments supported by the £14.45m in grant funding will allow all businesses in the West Midlands access to both technologies which will reduce their running costs and potentially increase productivity.
Ensure everyone has the opportunity to benefit	N/A
Connect our communities by delivering transport and unlocking housing and regeneration schemes	N/A
Reduce carbon emissions to net zero and enhance the environment	The recommendations provided by the energy efficiency assessments are expected to provide an estimated energy saving of 50GWh/yr, a reduction of 17tonnes CO2/yr.
Secure new powers and resources from central government	The BEAS funding is not currently incorporated into the Integrated Single Settlement, however if the extension to the programme continues this funding element may be incorporated into the Single Settlement in the next spending review.
Develop our organisation and our role as a good regional partner	N/A

6. Consultation and Scrutiny:

6.1 N/A

7. Financial implications:

7.1 The recommendations within this report request approval for WMCA to become the accountable body for the £14m of DESNZ funding which will allow the pilot to be extended by a further 12 months to March 2026. This funding will be supplemented by WMCA resources of £5.45m which were originally awarded to WMCA via the Trailblazer Deeper Devolution Deal but subsequently been exchanged for Investment Programme funding. The exchange had a nil effect for both programmes but allowed WMCA to demonstrate expedient use of the Government funds in line with their requests.

7.2 WMCA Board is requested to delegate authority to the WMCA Section 73 Officer to accept the £14m of funding awarded by DESNZ, subject to the finalised terms and conditions of this funding being acceptable. The terms are not expected to materially change from the those currently in place.

- 7.3 Note that the existing contracts with delivery providers will be extended for 12 months to 31 March 2026, to align with all funding requested and ensure no gap in delivery. No extensions to existing contracts (or any new contracts) will be entered until all funds have been properly secured, including the consent of the Section 73 Officer as detailed above.
- 7.4 As outlined in the change request, the outputs and cost per site, when comparing the budgets of this new phase with the 2023-25 phase, the Audit Cost per Site has gone down for the Standard Audits (from £1,250 to £1,100), while for Energy Intensive Audits it has increased (from £6,000 to £8,000 per site).

8. Legal implications:

- 8.1 WMCA has a power of general competence under section 1 of the Localism Act 2011 in relation to economic development and regeneration which will support this function.
- 8.2 The Legal Team will provide ongoing advice in relation to the commissioning, procurement, and delivery of the project as well as advice on subsidy control.
- 8.3 All delivery partners will need to have formal legal agreements in place and all legal Agreements must be formally completed before any payment is released.
- 8.4 An MoU will be put in place between DESNZ and the WMCA for the delivery of this programme based on a proposal for £14,000,000 being submitted to them. Funding will be issued under a Section 31 letter.

9. Implications:

Programme Assurance and Appraisal Implications:

- 9.1 The Change Request (Appendix 3) is compliant with the Single Assurance Framework (SAF), having undergone the full review process.
- 9.2 Decision-makers and S73 Officer should consider the Appraisal recommendation and proposed conditions in this section and decide which of these should be included as conditions of approval.
- 9.3 Based on an independent assessment of the risks and opportunities associated with this change request, **the Appraisal recommendation is to approve the change request, with the following proposed condition** to be met before any funds are released to the project:
1. Should DESNZ not agree to the project's request to fund programme management costs for the delivery of the grants from the capital allocation, the project will submit a SAF Change Request to reprofile de spend and scope accordingly.

Section completed by Ana Stas, WMCA Appraisal.

Procurement Implications:

- 9.4 The Procurement Team will engage with and work with the Client in relation to all commissioning and ongoing procurement matters.
- 9.5 Delivery partners have been selected due to experience in providing similar programmes, provision of joint funding through SPF and other funding routes.

10. Procurement advice has confirmed that all delivery partners can be awarded direct awards without the need for an open tender process this approach has been used due to the tight time frames.
- 10.1 Procurement would require legal to confirm they are happy with the continued use of Grant as a way to award this under the conditions of the funding. Any funds requiring procurement will be completed in accordance with internal WMCA and regulatory requirement.

Equality Implications:

- 10.2 The delivery partners will be tasked via the brief to ensure the businesses are diverse by:
- Making sure marketing materials are inclusive, free of stereotypes, representing a variety of people and using inclusive language.
 - Reaching diverse communities to gain a wider audience.
 - Promoting the programme in media outlets that reach diverse audiences, including online and traditional formats.
 - Ensuring the programme is accessible to people with disabilities by providing transcripts, captions, and other accommodations.
 - Providing support for an array of different and diverse businesses across the region
 - The Steering Group will reflect the regions diversity and strive to be as inclusive as possible.

Inclusive Growth Implications:

- 10.3 This programme is seeking to reduce energy usage and drive an increase in regional Energy Productivity within the West Midlands ITL1 area. It will reduce energy input required as % of regional GVA and in addition increase in productivity from new investment in new processes. The programme will:
- Create new employment opportunities so that they are for people from all backgrounds, including those who are underrepresented in the workforce.
 - 1000+ energy efficiency audits which provide significant data to inform future policy
 - Grow SME's within the region and energy demand reduction for SMEs
 - Develop a supportive business environment will make the region more attractive to businesses that are looking to relocate or expand.
 - Encourage and support businesses to reduce their energy input. Likely to boost slow-growing businesses or those in declining industries due to energy consumption. This innovation will boost competitiveness and productivity.
 - Will protect skilled jobs within businesses.
 - Creating collaborative partnerships.

11. Risk implications, including Risk Appetite:

- 11.1 **Value for Money (Governance and Economic Risks):** The social value and value for money of the BEAS programme and the extension that is subject to this change request rely on the use of GVA, which is not compatible with Green Book methodology. As a result, there is uncertainty over the true social value of the programme.

- 11.2 **Unsecured DESNZ funding (£14m) (Financial and Reputational Risks):** Funding from DESNZ had not been secured at the time of writing. There is high confidence on the project's part that the funding will be secured. Should this not happen, the £5m of funding from MHCLG as part of the Devolution Deal will be in jeopardy as well, as it is linked to a short list of projects, of which this project is part. Furthermore, a delay in securing the funding will mean the partners will not be able to continue delivery post March 2025.
- 11.3 **Unspent MHCLG capital allocation for grants (Political and Reputational Risks):** It is understood that the MHCLG Capital allocation for grants for the BEAS Pilot has not been spent in its entirety, with £10.5m left, of which £7.9m available after the current project finalises its spending. This Change Request wants to draw down only £5.45m of that. There is a risk that the existing balance of MHCLG capital allocation for grant delivery (£7.9m) will not be spent in full in the next financial year. It is unclear what impact this will have.
- 11.4 **Programme management costs for grant delivery (Financial and Delivery Risks):** The project is waiting for confirmation from the DESNZ that the programme management costs for the delivery of the grants can be taken from the Capital budget. From the budget it appears these costs have been considered as being funded from DESNZ Capital allocation. Should DESNZ not agree to the project's request to fund programme management costs for the delivery of the grants from the capital allocation the envisaged outputs and outcomes will not be delivered.
- 11.5 **Procurement:** Procurement advice has confirmed that all delivery partners can be awarded direct awards without the need for an open tender process this approach has been used due to the tight time frames.

Section completed by Ana Stas, WMCA Appraisal.

12. Local Authority Impact:

- 12.1 The programmes will be available to businesses with an operational base or registered in the seven local authorities of the WMCA and the wider ITL 1 region. WMCA will be the accountable body for delivery across the ITL1 West Midlands.

13. List of appendices referred to:

- 13.1 Appendix 3 Change Request Form CR158 BEAS 25-26 v5

14. Background papers used to compile this report:

- 14.1 Appendix 1 7102 Trailblazer capital funding 2023-24 - Advanced payment CDEL (003)
- 14.2 Appendix 2 IP Update Report Feb-25 (Final)

15. List of Other Relevant Documents

- 15.1 N/A