

Birmingham City Council
Report to Cabinet
19th March 2024



Subject: BEAS Energy Efficient Grant (Department of Energy Security and Net Zero) Acceptance of management fee

Report of: Strategic Director Place, Prosperity & Sustainability

Relevant Cabinet Member: Councillor John Cotton, Leader

Relevant O & S Chair(s): Councillor Jack Deakin, Finance and Resources
 Councillor Akhlaq Ahmed, Economy and Skills

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Are specific wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s):		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference: 012587/2024		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, state which appendix is exempt, and provide exempt information paragraph number or reason if confidential:		

1 Executive Summary

1.1 The Department of Energy Security and Net Zero (DESNZ) and Department for Levelling Up (DLUHC) have informed the West Midlands Combined Authority (WMCA) that funding is available for an energy efficiency programme within the West Midlands. This is national funding for pilot activity in the West Midlands with a view to expanding the programme nationally if it is successful. The objectives of the programme are to support WMCA and regional efforts to overcome market

failures inhibiting energy-exposed West Midlands manufacturers and commercial businesses from mitigating the impacts of energy cost rises and the transition to net zero. WMCA is seeking a Primary Delivery Partner out of the seven Local Authorities in the WMCA area to administer the grant delivery of the £10,500,000 Energy Efficiency Grants funded by DLUHC.

- 1.2 Birmingham City Council's Business Development and Innovation has been invited by WMCA to be the lead delivery partner. The team has extensive experience of managing and delivering large scale business support programmes across Birmingham and the wider West Midlands region.
- 1.3 A Full Business Case for the implementation of a new £10,500,000 BEAS Energy Efficiency Grant Programme funded by DESNZ and DLUHC was approved on 17th October 2023 (Winning Resources for Birmingham City Council Priorities - BEAS Energy Efficient Grant (Department of Energy Security and Net Zero). Initially, the £10,500,000 grant was inclusive of our 15% management. However, following further discussion, WMCA have now agreed to offer a management fee of £1,575,000 as an additional grant to cover delivery costs, meaning the whole £10,500,000 grant will go into business support.
- 1.4 This report seeks approval to accept an additional £1,575,000 to cover management fees to deliver BEAS Energy Efficiency Grant Programme funded by DESNZ and DLUHC.
- 1.5 BEAS Energy Efficiency Grant Programme has a total of value of £10,500,000 over (1st February 2024 and end 31st March 2025).
- 1.6 As lead delivery partner Birmingham City Council will receive a 15% (£1,373,448) management fee for the delivery of the programme across 6 Local Authorities across the WMCA., Coventry City Council have agreed to be a partner, but will deliver their grant allocation within their respective area, for which they will receive a 15% management fee (£201,552) under the BCC as the lead delivery partner.

2 Recommendations

- 2.1 Accepts the offer of £1,575,000 as management to deliver the £10,500,000 BEAS Energy Efficiency Grant Programme.
- 2.2 Authorises the City Solicitor (or their delegate) to negotiate, execute, and complete all necessary documentation to give effect to the above recommendations.

3 Background

- 3.1 A Full Business Case for the implementation of a new £10.5m BEAS Energy Efficiency Grant Programme funded by DESNZ and DLUHC was approved by Cabinet on 17th October 2023 (Winning Resources for Birmingham City Council Priorities - BEAS Energy Efficient Grant (Department of Energy Security and Net Zero) Full Business Case).

4 Options considered and Recommended Proposal

- 4.1 Do not accept the Grant. This is a key funding allocation for assisting the city and region to support SMEs to mitigate against rising energy costs and transition towards net zero. The opportunity to use the funds and make its delivery focused and effective should not be missed. If we don't accept this grant, we won't be paid for the delivery of the project. This option is not recommended.
- 4.2 Leave the implementation to WMCA. WMCA does not have the expertise, experience or capacity to deliver a programme of this nature across 7 local authority areas. It is recognised that Birmingham City Council is the only local authority across the WMCA with the experience and capacity to be the lead delivery partner.
- 4.3 Accept the additional grant utilising the Council's knowledge, existing infrastructure where relevant and local partnerships which have been established and built over many years of delivering EU funds to shape and deliver local provision. This option is recommended.

5 Consultation

- 5.1 We have consulted with the WMCA and the other 7 West Midlands Metropolitan Authorities, who have all agreed for Birmingham City to be the lead delivery partner (with Coventry delivering in their area).
- 5.2 BEAS Energy Efficiency Grant Programme has been agreed by WMCA and LA partners as part of a consistent offer across the region.

6 Risk Management

- 6.1 Risk register submitted and approved as part of the Full Business Case dated 17th October 2023, which is attached to this report for reference (Appendix 2).

7 Compliance Issues:

- 7.1 How are the recommended decisions consistent with the City Council's priorities, plans and strategies?
 - 7.1.2 The DESNZ and DLUHC funding is a significant opportunity to make an impact on the Council's priorities. The funding will contribute to the City's main Corporate Priorities. These are, A prosperous Birmingham (via economic growth, increased employment and attracting investment) and A Green Birmingham (contribution to the route to zero work).

7.2 Financial Implications

- 7.2.1 The City Council will receive an additional grant of £1,575,000 as a management fee to deliver a new £10,500,000 for the BEAS Energy Efficiency Grant Programme. Funding agreement is subject to agreement from WMCA and is

expected shortly. The funds will need to be administered in accordance with the DESNZ and DLUHC funding requirement and achievement of related outputs/outcomes.

7.2.2 A 15% management of £1,373,448 will be a contribution towards the salary costs of the City Council's delivery team.

7.2.3 Table below provides a breakdown of the management fee. No BCC salary match is required.

BEAS Energy Efficiency Grant Programme- Management fee

Management fee	2023/2024	2024/2025	Total
Birmingham City Council	£75,000	£1,298,448	£1,373,448
Coventry City Council	0	£201,552	£201,552
Total	£75,000	£1,500,000	£1,575,000

7.3 Legal Implications

7.3.1 BEAS Energy Efficiency Grant Programme will be delivered under the Council's general power of competence under section 1 Localism Act 2011, to help businesses to mitigate against rising energy costs and transition to net zero. Grants of £1,000 to £100,000 will be provided in compliance with UK Subsidy Control Act 2022.

7.4 Procurement Implications (if required)

7.4.1 There are no procurement implications with the recommendations of this report.

7.5 Human Resources Implications (if required)

7.5.1 BEAS Energy Efficiency Programme will be delivered using existing resources from Place, Prosperity and Sustainability Directorate.

7.6 Public Sector Equality Duty

7.6.1 Initial Equality Analysis (EQUA1048) has been carried out in January 2023 (attached appendix 1), which takes into account equality measures in the day-to-day activities in assisting companies. No equality issues have been identified in the dissemination of these business support programmes.

8 Appendices

Appendix 1 – EQUA 1048
Appendix 2 – Risk Register

9 Background Documents

8.1 17th October 2023 Cabinet Winning Resources for Birmingham City Council Priorities - BEAS Energy Efficient Grant (Department of Energy Security and Net Zero) Full Business Case.

Title of proposed EIA	Acceptance and Implementation of UKSPF (UK Shared Prosperity Fund)
Reference No	EQUA1048
EA is in support of	Both Policy & Service Change
Review Frequency	Two Years
Date of first review	31/01/2025
Directorate	Inclusive Growth
Division	European and International Affairs
Service Area	European and International Affairs
Responsible Officer(s)	<input type="checkbox"/> Mark Reed
Quality Control Officer(s)	<input type="checkbox"/> Janet L Hinks
Accountable Officer(s)	<input type="checkbox"/> Lloyd Broad
Purpose of proposal	This project will introduce UK SPF to BCC as part of the Government's levelling up agenda. It will focus on project delivery under the community and place strand, business support strand and people and skills strand.
Data sources	relevant reports/strategies; relevant research
Please include any other sources of data	
ASSESS THE IMPACT AGAINST THE PROTECTED CHARACTERISTICS	
Protected characteristic: Age	Service Users / Stakeholders; Employees; Wider Community
Age details:	The aims and objectives of UK SPF funding are compliant with all Public Sector equalities duty. This will be noted during recruitment of employees, existing employees and relevant stakeholders impacted by the delivery of the fund.
Protected characteristic: Disability	Service Users / Stakeholders; Employees; Wider Community
Disability details:	The aims and objectives of UK SPF funding are compliant with all Public Sector equalities duty. This will be noted during recruitment of employees, existing employees and relevant stakeholders impacted by the delivery of the fund.
Protected characteristic: Sex	Service Users / Stakeholders; Employees; Wider Community

Gender details:

The aims and objectives of UK SPF funding are compliant with all Public Sector equalities duty. This will be noted during recruitment of employees, existing employees and relevant stakeholders impacted by the delivery of the fund.

Protected characteristics: Gender Reassignment

Service Users / Stakeholders;
Employees; Wider Community

Gender reassignment details:

The aims and objectives of UK SPF funding are compliant with all Public Sector equalities duty. This will be noted during recruitment of employees, existing employees and relevant stakeholders impacted by the delivery of the fund.

Protected characteristics: Marriage and Civil Partnership

Service Users/ Stakeholders;
Employees; Wider Community

Marriage and civil partnership details:

The aims and objectives of UK SPF funding are compliant with all Public Sector equalities duty. This will be noted during recruitment of employees, existing employees and relevant stakeholders impacted by the delivery of the fund.

Protected characteristics: Pregnancy and Maternity

Service Users / Stakeholders;
Employees; Wider Community

Pregnancy and maternity details:

The aims and objectives of UK SPF funding are compliant with all Public Sector equalities duty. This will be noted during recruitment of employees, existing employees and relevant stakeholders impacted by the delivery of the fund.

Protected characteristics: Race

Service Users / Stakeholders;
Employees; Wider Community

Race details:

The aims and objectives of UK SPF funding are compliant with all Public Sector equalities duty. This will be noted during recruitment of employees, existing employees and relevant stakeholders impacted by the delivery of the fund.

Protected characteristics: Religion or Beliefs

Service Users / Stakeholders;

Religion or beliefs details:	Employees; Wider Community The aims and objectives of UK SPF funding are compliant with all Public Sector equalities duty. This will be noted during recruitment of employees, existing employees and relevant stakeholders impacted by the delivery of the fund.
Protected characteristics: Sexual Orientation	Service Users / Stakeholders; Employees; Wider Community
Sexual orientation details:	The aims and objectives of UK SPF funding are compliant with all Public Sector equalities duty. This will be noted during recruitment of employees, existing employees and relevant stakeholders impacted by the delivery of the fund.
Socio-economic impacts	The UK SPF is part of the Government's levelling up agenda throughout the UK in order to invest in all parts of the UK with an aim of improve standards of living across the country and help every place reach it's productivity potential and addressing regional inequalities.
Please indicate any actions arising from completing this screening exercise.	Full assessment deemed not appropriate.
Please indicate whether a full impact assessment is recommended	NO
What data has been collected to facilitate the assessment of this policy/proposal?	Not applicable.
Consultation analysis	Not applicable.
Adverse impact on any people with protected characteristics.	Not applicable.
Could the policy/proposal be modified to reduce or eliminate any adverse impact?	Not applicable.
How will the effect(s) of this policy/proposal on equality be monitored?	We will use existing methods used previously during the delivery of ESIF funding to ensure equalities is measured effectively and all decisions take into account equalities.
What data is required in the future?	Not applicable.
Are there any adverse impacts on any particular group(s)	No

If yes, please explain your reasons for going ahead.

Not applicable.

Initial equality impact assessment of your proposal

Consulted People or Groups

Informed People or Groups

Summary and evidence of findings from your EIA

Full assessment not deemed appropriate. The UK SPF will deliver according to the Government's levelling up agenda with a focus on delivering in a community and place strand, a business support strand and a people and skills strand. This project will have no direct impact on employment within the projects delivery team and we will ensure all strand leads within the City Council will take careful consideration of equalities in recruitment and project delivery.

QUALITY CONTORL SECTION

Submit to the Quality Control Officer for reviewing?

Yes

Quality Control Officer comments

Proceed to final approval 26.1.2023

Decision by Quality Control Officer

Proceed for final approval

Submit draft to Accountable Officer?

Yes

Decision by Accountable Officer

Approve

Date approved / rejected by the Accountable Officer

07/03/2023

Reasons for approval or rejection

Please print and save a PDF copy for your records

Yes

Content Type: Item

Version: 35.0

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Close

BEAS ENERGY EFFICIENCY GRANT PROGRAMME: Risk Register

No	Description	Likelihood	Impact	Grade	Action	Managed by:
1	Failure Growth Hubs, LEP Local Authority delivery partners partners to raise awareness of the programme in their area and to identify suitable businesses for WMGP and NZGP.	Medium	High	Material	Ensure comprehensive programme briefings to partners and adequate understanding before commencement. Put in place agreed detailed marketing arrangements, literature design and individual marketing strategies for each area together with good levels of support from City Council project team to implement local actions for awareness raising and programme promotion to suitable businesses.	Head of Business and Innovation and Project Lead.
2	Unwillingness of sufficient number of eligible businesses coming forward to the application process for BEAS Energy Efficiency grants support and able to meet scheme criteria including match funding.	Low	High	Material	WMGP and NZGP builds upon the successful delivery of existing programmes. WMCA and LA partners are supportive of both programmes as part of a consistent offer of support to SMEs across the region. The good induction of partners, strong programme marketing and targeting the right type of businesses, clear and straight forward application form and process for approval with good programme management and monitoring should attract sufficient businesses. Evidence of match funding will be required at the application stage.	Project Lead, Business Officers and local authority partners.
3	BEAS Energy Efficiency Grant Programme is too rigid and inflexible in meeting the needs of the businesses.	Low	Medium	Material	Monitoring and reviewing the programmes to ensure flexibility and responsiveness to the needs of need of businesses.	Head of Business and Innovation, project manager and Business Officers.
4	Poor quality of applications for support from businesses and or businesses failing to complete project expenditure in order to fully access assistance from the programme funds resulting in potential under spend.	Low	Medium	Material	Robust application procedure being established together with clear guidance and application process to assist businesses with the completion of applications that meet the standard required. With the correct development work and submission of sound applications the likely hood of none completion and under spend is less likely. Ability to award further assistance until the funding has been fully utilised over the life of the programme should ensure any under spend is kept to a minimum.	Head of Business and Innovation, project manager and Business Officers.
5	DESNZ and DLUHC regulations are not complied with leading to exclusion of eligible costs from claims.	Low	High	Material	The costs have been analysed and only eligible costs have been identified and included in the application. BEAS Energy Efficiency grants offer assistance to SMEs will include DESNZ and DLUHC terms to be passed on to SMEs (including a period of claw back), to help ensure understanding and compliance, and enable the City Council to recover funds in the event of a default against the terms or a claw back relating to a particular SME. Expenditure will only be paid in arrears on provision of evidence and when the works have been completed. Robust governance, operational management and programme delivery processes, systems and procedures will be embedded, implemented, monitored and evaluated. Any specific issues arising from compliance will be mitigated against checks and balances contained within the programme.	Head of Business and Innovation, project manager and Business Officers.
6	Compliance with DESNZ and DLUHC grant conditions so as to avoid clawback	Low	Medium	Material	Robust governance, operational management and programme delivery processes, systems and procedures will be embedded, implemented, monitored and evaluated. Any specific issues arising from compliance will be mitigated against checks and balances contained within the programme. The risk to the City Council is therefore minimised as long as it seeks recovery from businesses who default on grant conditions.	Head of Business and Innovation, Project Manager, LA partners

BEAS ENERGY EFFICIENCY GRANT PROGRAMME: Risk Register

No	Description	Likelihood	Impact	Grade	Action	Managed by:
7	Operational management of Programmes difficulties such as delays in processing necessary documentation	Low	Medium	Material	Use Project Management Team to monitor, review and tackle any issues	Head of Business and Innovation, Project Manager and Business Officers
8	Delivery of costs so as to avoid overrun beyond March 2025	Low	Medium	Material	Budget targets are negotiated with WMCA and monitored on a regular basis to ensure no expenditure beyond March 2025. A regular pipeline of applications generating through marketing activities will ensure delivery remains on track.	Head of Business and Innovation, Project Manager and Business Officers
9	Failure of businesses to complete investment plan and achieve outputs leading to a lack of drawdown of funding approved.	Medium	Low	Material	Maximum delivery period for project spend will be 4-6 months. Effective monitoring and client management to maximise spend to meet budgetary forecasts.	Head of Business and Innovation, Project Manager and Business Officers
10	Applicant in breach of terms and conditions of funding offer letter	Medium	Low	Material	BCC will review the breach of terms, conditions and suggest a course of action. If considered to be material breach, the funding offer will be withdrawn or seek claw back. Reallocate funding to other applicants.	Project Manager and Business Officers.
11	SME fraudulent activity throughout the application and claims process	Medium	Medium	Material	Develop robust intelligence and monitoring systems with support from Legal Services and Audit to eliminate potential fraudulent activity. If fraud is detected then engage City Council Legal Services and Birmingham Audit to investigate and if required issue legal proceedings.	Project Manager and Business Officers.
12	Attempted bribery of BCC officers for financial or non-financial gain	Low	High	Material	Awareness of BCC's bribery and corruption policy. Be vigilant against attempted bribery. Refer to senior management and seek advice from Legal Services and Audit.	Head of Business and Innovation, Project Manager and Business Officers
13	Lack of take up or lack of quality projects means contracted DESNZ and DLUHC outputs and spend targets are not being achieved leading to underperformance and potentially leading to clawback	Medium	High	Material	Contracted output and spend targets are annualised on a calendar year basis. The quarterly claim cycle includes output reporting which enables continual monitoring. As well as the project performance being overseen by the BDI Team, annual reviews will be set out to ensure that the project are on track and to review all projects progress. Should forecast progress against annualised spend or output targets be cause for concern (more than 10% variance forecast), actions will be set, and if needed, WMCA will be asked to reappraised the project based on the re-forecast measures, and a new agreement will be sought.	Project Manager, Business Officers, LA partners.
14	Delay in securing funding from DESNZ and DLUHC	High	High	Material	WMCA are confident of securing funding for the 18-month programme.	Head of Business and Innovation,