
Report to: West Yorkshire Combined Authority

Date: 8 December 2022

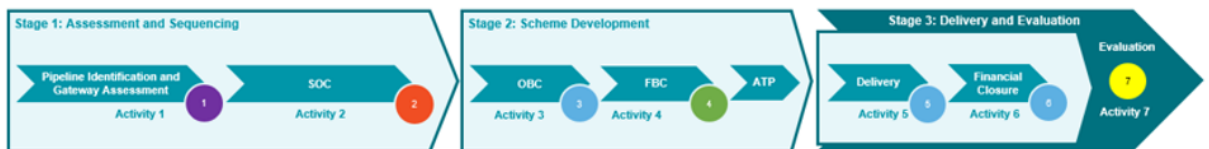
Subject: Project Approvals - Investment Priority 4 – Tackling the Climate Emergency and Environmental Sustainability

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1. Purpose of this report

- 1.1 To report on proposals for the progression of, and funding for projects under Investment Priority 4 - Tackling the Climate Emergency and Environmental Sustainability, within the West Yorkshire Investment Strategy (WYIS), that have been considered at stages 1, 2 and 3 of the Combined Authority's assurance process.



- 1.2 The recommendations can be found in Section 12 of this report.

2. Report

- 2.1 This report presents proposals for the progression of schemes through the Combined Authority's assurance process in line with the Combined Authority's Assurance Framework. Further details on the schemes summarised below can be found as part of this report.
- 2.2 For more detail on the Combined Authority's Assurance Framework through which each of the schemes outlined in this report are being approved is provided in **Appendix 1**.

3. Investment Priority 4 (IP4) - Tackling the Climate Emergency and Environmental Sustainability

- 3.1 The West Yorkshire Investment Strategy (WYIS) sets out the Investment Priorities for the period 1 April 2021 to 31 March 2024 across six areas. In each, a number of priority project / programme areas have been identified that are the focus for intervention.

3.2 West Yorkshire declared a climate emergency in 2019 and has a target to be net zero carbon by 2038. Investment Priority 4 will deliver a range of programmes under Wave 1 of the Climate and Environment Plan, which will contribute to the achievement of the net zero carbon target, with the following programmes:

- Better Homes Hub
- Better neighbourhoods
- Business sustainability
- Flooding and drainage
- Green skills and training
- Solar panels and battery storage.

Scheme summaries

<p>Business Sustainability Package West Yorkshire</p>	<p><u>Scheme description</u></p> <p>The Business Sustainability Package is one of seven programmes being delivered as part of Wave 1 of the Climate and Environment Plan (CEP). The CEP outlines the activities needed over the next three years, to set the region on a pathway towards achieving the 2038 net-zero carbon target. Net-zero carbon refers to the balance between the amount of carbon dioxide (CO₂) produced and the amount removed from the atmosphere.</p> <p>Businesses are facing a significant number of challenges relating to the net-zero agenda including the rapid rise in energy and fuel costs and general price instability and lack of energy resilience, pressure from major customers passing on net zero obligations, impending and future legislation impacts, consumer pressure on green issues for example plastics and food miles and competing priorities, especially as businesses recover from the impacts of Covid-19 and adjust to leaving the European Union.</p> <p>The Business Sustainability Package aims to provide simplified, consistent, and impartial support to small and medium sized enterprises (SMEs) within West Yorkshire acting as a catalyst to help them to plan for net zero and become climate ready, so they become more resilient to the effects of climate change. Support is designed to help SMEs measure their carbon impacts and climate readiness, plan improvements and act on these plans to reduce their environmental impact.</p> <p>The scheme will be delivered through the gainshare allocation for Investment Priority 4 (IP4) - Tackling the Climate Emergency and Environmental Sustainability.</p> <p><u>Impact</u></p> <p>This scheme aims to improve energy efficiency of SMEs, ensuring they require less energy, making them cheaper to run which will also increase their productivity and ability to innovate and grow. The scheme will help SMEs measure their current performance on emissions and climate readiness, actively plan to improve performance and support them to take action. The package is estimated to deliver greenhouse gas emission savings of 1,200 tonnes per annum and increase renewable energy generation by 1.5m kWh per annum.</p> <p>The value for money assessment reflects a benefit cost ratio (BCR) of 5:1. This is categorised as very high value for money.</p> <p><u>Decision sought</u></p> <p>Approval to proceed through decision point 2 (Strategic Outline Case) and decision point 4 (Full Business Case) and work commences on activity 5 (delivery).</p> <p>Total value of the scheme – up to £21,946,934</p> <p>Total value of Combined Authority funding – up to £11,696,934 with the remainder coming from private match</p> <p>Funding recommendation sought – up to £10,596,934</p> <p>A decision by the Combined Authority is sought as part of this report</p>
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4. Information

- 4.1 The Combined Authority's assurance framework requires that formal approval is given to the following elements of a scheme as part of its development:
- The progression of a scheme through a decision point to the next activity.
 - Indicative or full approval to the total value of the scheme funding requested.
 - The Combined Authority's entry into a funding agreement with the scheme's promoter.
 - The assurance pathway and approval route for future decision points.
 - The scheme's approval tolerances.
- 4.2 This report provides information required to enable the Combined Authority to approve each of the above elements.

Projects in Stage 1: Assessment and Sequencing

Project Title	Business Sustainability Package
Stage	1 (assessment and sequencing)
Decision Point	2 (strategic outline case)

Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information or appendices?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:		
Are there implications for equality and diversity?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Background

- 4.3 The Business Sustainability Package is one of seven programmes being delivered as part of Wave 1 of the Climate and Environment Plan (CEP).
- 4.4 The Climate and Environment Plan (CEP) outlines the activities needed over the next three years, to set the region on a pathway towards achieving the 2038 net-zero carbon target. Net-zero carbon refers to the balance between the amount of carbon dioxide (CO₂) produced and the amount removed from the atmosphere.

- 4.5 Businesses are facing a significant number of challenges relating to the net-zero agenda including:
- Rapid rise in energy and fuel costs and general price instability and lack of energy resilience.
 - Supply chain pressure from major customers passing on net zero obligations.
 - Impending and future legislation impacts for example, extended producer responsibility for packaging, which changes the way UK organisations responsible for packaging, carry out their recycling responsibilities and anti-greenwashing regulations, to prevent people being misled about the green credentials / environmental claims made by organisations.
 - Consumer pressure on green issues, for example plastics and food miles.
 - Competing priorities, especially as businesses recover from the impacts of Covid-19 and adjust to leaving the European Union.
- 4.6 Learning from current programmes and wider studies have shown that:
- Businesses are aware of the challenges and significance of net zero and sustainability in general, but often do not know where to start to address these, and this can affect how actions are prioritised.
 - There is a general lack of planning and target setting towards net zero and climate readiness, so businesses become more resilient to the effects of climate change, particularly amongst SMEs.
 - Measurement of the baseline (for example carbon foot printing) is a fundamental gap in businesses transitioning to net zero.
 - Access to knowledge and external finance continue to be barriers / enablers.
 - Support needs to be clearly publicised and flexible enough to respond to specific business needs.
- 4.7 The Business Sustainability Package aims to provide simplified, consistent, and impartial support to West Yorkshire's SMEs to act as a catalyst to help them to plan for net zero and become climate ready. This support will help firms in any sector but will target those SMEs with under 100 staff. There will be some flexibility within the programme to support business with just over 100 staff, but this will be dependent on the project. Support is designed to help SMEs measure their carbon impacts and climate readiness, plan improvements and act on these plans to reduce their environmental impact.
- 4.8 This support will include diagnostics to prioritise net zero and climate readiness issues within the business, measurement of current carbon footprints and resource efficiency audits, consultancy advice to implement environmental management systems, net-zero plans and explore business models, products and processes, and grant funding towards energy efficiency improvements, renewable energy generation and flood resilience.

- 4.9 Additional funding is included to support 'special projects' that could act as pilots at a local level for more extensive action in the future, and to pilot a digital sharing platform for businesses to exchange surplus resources, and a regional industrial scheme. There is also an ambition to support a 'green business network' to facilitate peer support on this agenda and act as the base for a potential accreditation and awards scheme.
- 4.10 The total scheme cost is up to £21,946,934, which will be funded by up to £11,696,934 from the Combined Authority's gainshare allocation for Investment Priority 4 (IP4) - Tackling the Climate Emergency and Environmental Sustainability, £9,250,000 from private sector leverage and £1,000,000 of match funding from SMEs as part of the Energy Price Crisis Emergency Grant Programme.
- 4.11 The package includes the Energy Price Crisis Emergency Grant Programme, introduced as an interim measure from November 2022, as an immediate response to the cost-of-living crisis. The voucher scheme was approved by Combined Authority on 21 October 2022 and will run until March 2023, with the rest of the Business Sustainability Package starting from 1 April 2023.
- 4.12 A summary of the scheme's business case is included in **Appendix 2**.

Tackling the Climate Emergency Implications

- 4.13 For the region to become net zero by 2038, it needs to reduce emissions year on year by 14.5%. This includes reducing the emissions from SMEs, which contribute 50% of business and industry emissions. This package aims to act as a catalyst to improve the energy efficiency of SMEs, so they require less energy to heat and power, making them cheaper to run which will also increase productivity and ability to innovate and grow, and also increase resilience through climate readiness action. The scheme will help SMEs measure their current performance on emissions and climate readiness and actively plan to improve performance.
- 4.14 It is estimated that the package will deliver greenhouse gas emission savings of 1,200 tonnes per annum and increase renewable energy generation by 1.5m kWh per annum.

Outputs and Benefits

- 4.15 The package outputs and benefits include:
- Develop greater awareness within the region's SMEs of how to plan for net zero and climate readiness, and where they can access support
 - Supporting SMEs to identify what stage they are at now, in terms of net zero and climate readiness, develop an action plan to improve and provide support to implement those actions
 - Supporting SMEs to connect with external sources of expertise and finance
 - Stimulating peer networking and support on the net zero agenda so SMEs can learn from each other

- Act as a catalyst to wider planning for net zero and climate readiness for regional businesses
- 4.16 An indicative value for money assessment has been undertaken based on the Combined Authority's current REBiz programme. This scheme is expected to have a benefit cost ratio of 5:1 which is very high value for money.

Inclusive Growth Implications

- 4.17 This scheme will provide grant funding to businesses. To receive a grant, businesses will be required make an inclusive growth commitment, such as improving skills and employability of young people, increasing training and development opportunities in the workplace, and committing to paying the Real Living Wage. Inclusive growth commitments will be a condition of all funding offers made of over £25,000 (businesses will be asked to consider a voluntary commitment below this threshold, in line with other business support programmes run by the Combined Authority) and will be monitored.
- 4.18 The package also includes the following target to deliver support to businesses:
- 25% within the lowest 20% Lower Layer Super Output Areas (LSOAs), in other words, the most deprived areas, based on the Indices of Multiple Deprivation.

Equality and Diversity Implications

- 4.19 An Equality Impact Assessment (EqIA) has been undertaken for the scheme and equality and diversity impacts taken account of as part of the development of the scheme and the business case development. The scheme will increase access to skills and training which will enable access to jobs for all.
- 4.20 Equality and diversity will be supported by targeting businesses and communities with protected characteristics to achieve the following equality targets to deliver support to businesses:
- 10% (of SMEs) with at least one BAME decision maker
 - 15% (of SMEs) with at least one female decision maker

Risks

- 4.21 The scheme risks include:
- Inability to recruit suitable team members leading to delays in delivery, mitigated by reviewing the existing team structure and planning to be able to start support with a more limited initial focus if required.
 - Inflationary pressures limit the scope and value of capital grants package of support and flood grants, mitigated by incorporating flexibility into the programme and allowing other grant packages to be used

- The service does not meet equality, diversity, and inclusion (EDI) targets, mitigated by monitoring the programme on an ongoing basis to track performance against equality targets
- Demand for support does meet expectations. This has been mitigated by building proposals on existing programmes and industry knowledge and designing a flexible service which can adapt.

Costs

- 4.22 The total scheme cost is up to £21,946,934. This will be funded by up to £11,696,934 from the Combined Authority's gainshare allocation for Investment Priority 4 (IP4) and £9,250,000 from private sector leverage and £1,000,000 of match funding from SMEs as part of the Energy Price Crisis Emergency Business Grants Programme.
- 4.23 On 21 October 2022, the Combined Authority approved £1,100,000 from the gainshare allocation for IP4, for the Energy Price Crisis Emergency Business Grants Programme. Approval is now being sought for £10,596,934 from the gainshare allocation.

Assurance Pathway and Approval Route

Assurance pathway	Approval route	Forecast approval date
2 to 4 (Business Justification)	Recommendation: Combined Authority's Programme Appraisal Team Decision: Combined Authority	08/12/2022
5 (delivery)	Recommendation: Combined Authority's Programme Appraisal Team Decision: Combined Authority's Director of Delivery	29/05/2026

Other Key Timescales

- Delivery starts - 01/04/2023
- Delivery ends - 31/03/2026
- Project evaluation - 31/07/2026

Assurance Tolerances

Assurance tolerances
Combined Authority costs remain within +5% of those outlined in this report Delivery (DP5) timescales remain within +3 months of those outlined in this report. Number of SMEs supported remain within -10% of those outlined in this report

Appraisal Summary

- 4.24 This scheme contributes towards Wave 1 of the Climate and Environment Plan and will provide support to businesses in reducing energy costs and emissions. The business case establishes scheme alignment with the business aims and strategy of West Yorkshire Combined Authority. The business case clearly sets out the direct links to two Mayoral pledges, specifying the programmes and business support provided to tackle climate emergency and protect the environment, and support local businesses and become a champion for the regional economy.

Recommendations

- 4.25 The Combined Authority approves that:
- (i) The Business Sustainability Package proceeds through decision point 2 (strategic outline case) and decision point 4 (full business case) work commences on activity 5 (delivery).
 - (ii) Approval to the Combined Authority's contribution of up to £10,596,934 is given. The total scheme value is up to £21,946,934.
 - (iii) Future approvals are made in accordance with the assurance pathway and approval route outlined in this report and any change requests are delegated to the Climate, Energy and Environment Committee, which will be subject to the scheme remaining within the tolerances outlined in this report.

Projects in Stage 2: Scheme development

- 4.26 There are no schemes to review at this stage.

Projects in Stage 3: Delivery and Evaluation

- 4.27 There are no schemes to review at this stage.

5. Tackling the Climate Emergency implications

- 5.1 The Climate Emergency implications have been considered on all projects included in this report as part of their business case development.

6. Inclusive Growth implications

- 6.1 The inclusive growth implications have been considered on all projects included in this report as part of their business case development.

7. Equality and Diversity implications

- 7.1 Equality Impact Assessments (EQIA) have been undertaken on all projects included in this report as part of their business case development.

8. Financial implications

8.1 The report seeks endorsement to expenditure from the available Combined Authority funding as set out in this report.

9. Legal implications

9.1 The payment of funding to any recipient will be subject to a funding agreement being in place between the Combined Authority and the organisation in question.

10. Staffing implications

10.1 A combination of Combined Authority and local partner council project, programme and portfolio management resources are or are in the process of being identified and costed for within the schemes in this report.

11. External consultees

11.1 Where applicable scheme promoters have been consulted on the content of this report.

12. Recommendations (Summary)

Business Sustainability Package

12.1 The Combined Authority approves that:

- (i) The Business Sustainability Package proceeds through decision point 2 (strategic outline case) and decision point 4 (full business case) work commences on activity 5 (delivery).
- (ii) Approval to the Combined Authority's contribution of up to £10,596,934 is given. The total scheme value is up to £21,946,934.
- (iii) Future approvals are made in accordance with the assurance pathway and approval route outlined in this report and any change requests are delegated to the Climate, Energy and Environment Committee, which will be subject to the scheme remaining within the tolerances outlined in this report.

13. Background Documents

13.1 None as part of this report.

14. Appendices

Appendix 1 - Background to the Combined Authority's Assurance Framework

Appendix 2 - Business Sustainability Package – Business Case Summary