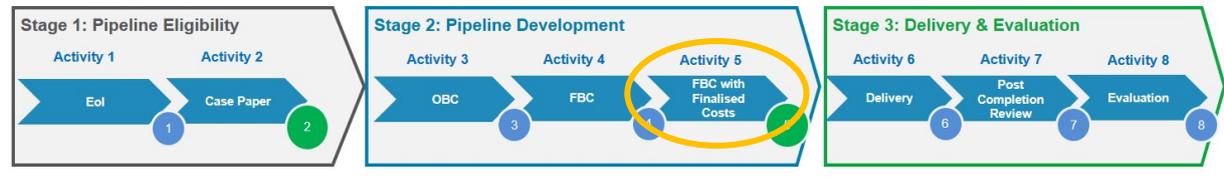


## Business case summary – Resource Efficiency Fund

<b>Name of Scheme:</b>	<b>Resource Efficiency Fund</b>
<b>PMO Scheme Code:</b>	GD-PA3-001
<b>Lead Organisation:</b>	West Yorkshire Combined Authority
<b>Senior Responsible Officer:</b>	Sue Cooke, Executive Head off Economic Services
<b>Lead Promoter Contact:</b>	Vincent McCabe (Project Manager)
<b>Applicable Funding Stream:</b>	Local Growth Fund & European Regional Development Fund
<b>Growth Fund Priority Area (if applicable):</b>	3
<b>Forecasted Full Approval Date (Decision Point 5):</b>	October 2017
<b>Forecasted Completion Date:</b>	October 2019 (decision point 6)
<b>Total Scheme Cost (£):</b>	£1.983 million (£120,000 development costs, £720,000 LGF, £1.143 million ERDF)
<b>WYCA Funding (£):</b>	£1.983 million
<b>Total other public sector investment (£):</b>	None
<b>Total other private sector investment (£):</b>	£812,700 (levered in, not included in above)
<b>Is this a standalone Project?</b>	Yes
<b>Is this a Programme?</b>	No
<b>Is this Project part of an agreed Programme?</b>	No
<b>Current Funding Allocation:</b>	LGF allocation agreed by Investment Committee/Combined Authority November 2015 subject to ERDF approval. ERDF funding agreed and contracted (1 November 2016)

### Current Assurance Process Activity:



### Scheme Description:

The aim of the REF is to provide business support to SMEs located in the Leeds City Region to help identify, fund and implement resource efficiency improvements. It will support a minimum of 300 businesses tackle barriers to the implementation of resource efficient practices and technologies, including a lack of understanding of the costs and benefits of resource efficiency.

The business support is flexible in design but includes a free environmental assessment together with wrap around support to enable SMEs to deliver recommended measures. The REF can provide capital grant funding for implementation of measures of up to £10,000, to be 50% matched with private sector contribution. 129 Grants will be supported as well as 174 business receiving 12 hours of non-financial business assistance over the three year duration.

### Business Case Summary:

#### Strategic Case

Decarbonising the economy plays a key part in the Government's aim to achieve sustainable and balanced growth, with a focus on maximising the opportunities and minimising the costs of the green economy transition. This is in line with Europe 2020 strategic priorities, specifically the priority to promote a more resource efficient, greener and more competitive economy.

At a time of high and rising energy and material costs, resource efficiency is critical to the long-term competitiveness of the City Region's economy. Research repeatedly identifies the high cost savings and short payback periods to investment in resource efficiency. Despite this economic benefit, operators (businesses, public sector organisations and civil society) do not invest in resource efficiency to the levels that might be expected, harming competitiveness.

Optimising the use of resources through reducing, reusing and recycling more generally improves business performance in terms of resilience, profitability and/ or competitiveness. Investment in resource efficiency and 'eco-innovation' supports sustainable economic growth, delivering new products and services with lower impacts on the environment. The UK has a fast growing clean technology business sector, with leading eco-innovation areas being renewable energy, energy efficiency, and waste recycling.

Investment in resource efficiency measures can deliver value for money and a positive return on investment. Analysis of comparable resource efficiency support indicates that, in terms of value for money, resource efficiency programmes can deliver a very efficient use of funding.

The REF was identified in the original Strategic Economic Plan (2014) as

	<p>a key named project under pillar 3.</p>
<p><b>Commercial Case</b></p>	<p>There are a number of Resource Efficiency programmes active in other areas of the UK including Resource Efficient Scotland, Resource Efficient Wales, and REECH into Business (Liverpool City Region). Similar projects have also been operated very recently and successfully in areas of the North West, Midlands and the South East.</p> <p>The Resource Efficiency Yorkshire (REY) scheme operated between 2009 and early 2013, and there has been no regionally focused Resource Efficiency support for businesses since; pointing to a clear gap in provision within the region. The REY scheme assisted 501 businesses in the region, undertaking 292 assessments. There are over 109,000 SME businesses within the region, of which over 3,500 are medium sized enterprises, suggesting that there is a substantial market potential remaining untapped.</p> <p>In early 2015 the LEP carried out a survey involving over 3,000 telephone interviews with Leeds City Region based businesses. The survey explored the actions taken by business to improve their environmental performance. It was evident that business engagement with resource efficiency had dropped in the past 4 years. Businesses have a better focus on waste / recycling issues than they do on energy and water saving measures but it is still poor.</p> <p>A focus group study of SMEs highlighted that:</p> <ul style="list-style-type: none"> <li>• There remains a need to provide resource efficiency audit / assessment services to SMEs.</li> <li>• SMEs felt the need for funds for capital improvements but that this should not be directly linked to mandated assessments.</li> <li>• It is clear that the SMEs are lacking the time and capital to invest in resource efficiency improvements.</li> </ul> <p>The REF is aimed at overcoming these barriers to investment.</p> <p>Contact with similar programmes (REECH into Business, REV Active, Resource Efficient Scotland) has shown that, while job creation and growth is not a guaranteed and targeted output of resource efficiency schemes, it is common to find upon evaluation that programmes do have impacts on creation and safeguarding of employment, and on business growth in particular.</p>
<p><b>Economic Case</b></p>	<p>ICF International carried out an analysis (“Benefit Analysis”) on behalf of the LEP to provide an initial overview and quantification of the likely level of costs and benefits of five possible options. The table below provides an overview of the gross outputs/ benefits for the preferred option provided by ICF, together with a revision subsequently undertaken based on revised cost estimates.</p>

Gross benefits (per annum)	ICF Analysis	Revised Analysis
Implementation rate	46%	54%
Total implemented cost savings (£)	424,400	504,200
Cost savings per £ of public funding (£)	0.68	0.81
Total implemented CO <sub>2</sub> savings (CO <sub>2</sub> equivalent tonnes)	2,800	3,376
CO <sub>2</sub> savings per £ of public funding (CO <sub>2</sub> equivalent kgs)	4.57	5.43
Total welfare savings (£)	594,900	706,764
Welfare savings per £ of public funding	0.96	1.14
Public cost per SME supported (£)	6,100	5,975

It is envisaged that SMEs who benefit from intervention through the REF will have an:

- Increased awareness of their energy, waste and water usage;
- Understanding of the resource efficiency measures available to them;
- Improved knowledge of how to implement resource efficiency measures; and
- Improved awareness of support available across Leeds City Region to help SMEs grow.

The REF will also deliver the following outcomes:

- Improve SMEs understanding of the potential for resource efficiency savings;
- Provide them with advice on potential measures that they could implement and invest in to reduce costs, improve their resilience, and assist in accessing new business opportunities;
- Support them in implementing identified resource efficiency measures;
- Investment in and use of new resource efficient technologies within SME businesses; and
- New behaviours by the SMEs' employees (and potentially the SMEs' supply chain).

#### Financial Case

In preparing the LGF Business Case, KPMG undertook a Delivery Options Appraisal. In preparing this appraisal, KPMG utilised data from similar schemes and existing knowledge of the market as well as cost data supplied by local authority partners from Leeds and Kirklees. By combining quantitative and qualitative approaches, the Appraisal identified the preferred delivery model (a bespoke model combining resources from the Combined Authority, neighbouring local authorities and private sector suppliers) as the only option that combines the best available resources in the region, builds on existing skills and experience,

	<p>involves local partners, and maximises efficiency.</p> <p>The project management and marketing costs are broadly comparable with other schemes that were used as a benchmark.</p> <p>The Local Growth Funding will leverage over £1.95m of additional investment into resource efficiency, including £1.14m European funding and £0.8m of private sector investment. A full 3 year finance profile and granular budget has been prepared and approved by the ERDF Managing Authority.</p> <p>The project will be delivered under De Minimis Regulations (State Aid) and all relevant paperwork has been put in place.</p>
<p><b>Management Case</b></p>	<p>The project commenced delivery in November 2016 and will complete activity at the end of October 2019. Financial completion will take place in January 2019, and a summative (impact) assessment of the project will take place prior to this. A full project plan was prepared as part of project development in line with PRINCE2 principles. The project has a written Procedures Manual in place.</p> <p>Project management is undertaken by Combined Authority staff, while Leeds CC provides financial appraisal of grant applications and administers grant payments.</p> <p>Grant applications are appraised by project staff, and ultimately approved by the Combined Authority Managing Director under delegated authority.</p> <p>The project has a steering group consisting of representation from the private sector, Leeds CC and Combined Authority management (Head of Business Support), and technical expertise from the University of Leeds Sustainability Research Institute. It also reports to a quarterly strategic partners group consisting of local authority representatives. Terms of Reference have been prepared for these groups.</p> <p>A risk register has been in place since project development commenced and this is updated and reported to the steering group on a quarterly basis.</p> <p>Highlight Reports are prepared on a monthly basis and circulated to steering group, strategic partners group and the Executive Head of Economic Services.</p> <p>Progress is reported to both Green Economy and Business, Innovation &amp; Growth Panels, and ultimately to LEP Board.</p>