

Title:	Delivering SME Energy Savings Programme for the North East
Portfolio:	Home to the Green Energy Revolution
Responsible Director:	Phil Witcherley, Director of Economic Growth and Innovation
Report Author:	Peter Riddell, Programme Manager (Net Zero and Energy)

Report Summary

The purpose of this report is to seek approval from the Chief Executive to allocate £1,800,000 from the Integrated Settlement (Economic Development and Regeneration Pillar) to fund the SME Energy Savings Programme for the North East Combined Authority geographical region.

The SME Energy Savings Programme is a three-year, £2.8m (including match funding) that will support North East Small and Medium-sized Enterprises (SMEs) and Voluntary, Community and Social Enterprises (VCSEs) to save money on their energy bills, focusing on local economic growth, community benefit, and job creation. It includes the following key elements:

- £750,000 to fund a regional delivery partner to manage and deliver an energy advice service and energy audits which will be open to VCSEs and SMEs.
- £1,000,000 match-funded grant fund open to SMEs for the installation of energy efficiency measures that will save money on their energy bills.
- £50,000 for programme evaluation.

Recommendations

The Chief Executive is recommended to approve £1,800,000 from the Integrated Settlement (Economic Development and Regeneration Pillar) to fund the SME Energy Savings Programme between 1 April 2026 and 31 March 2029, as set out in this report, and to authorise the carrying out of a procurement exercise to appoint a provider to deliver the programme as set out in this report.

Executive Summary

The North East CA recognises that the cost of energy is a major concern to businesses and has committed through the [strategic portfolio plans](#) approved by Cabinet on the 30th July 2024 to build climate resilience amongst communities and businesses in all parts of the region, support sustainable business growth and boost community action on net zero. This is also reflected in the deeper devolution deal with a commitment to strengthen the North East's local innovation capacity and the innovation potential of small and medium-sized enterprises.

The SME Energy Savings Programme will allow the North East CA to deliver against the devolution deal and the strategic portfolio plan by supporting Small and Medium-sized Enterprises (SMEs) and Voluntary, Community and Social Enterprises (VCSEs) to save money on their energy bills, focusing on local economic growth, community benefit, and job creation.

This programme was developed before the beginning of the Iran conflict. This, and any other factors that cause higher energy prices, increase the importance of helping SMEs to reduce energy costs. Demand for the programme could be higher than anticipated because of global events, and therefore the North East CA will keep a watching brief on the situation. The programme will be managed to ensure that the available support and funding is allocated across the three-year period of the project and not issued disproportionately during periods of peak demand.

A. Context

1. Background

The region's SMEs account for 67% of all business employment and 60% of the region's business turnover. By focussing on energy efficiency, an SME Energy Savings programme reduces energy bills for businesses, improving overall efficiency and safeguarding jobs, in addition to reducing carbon emissions. There are approximately 7,200 VCSE organisations in the region, employing 3-4% of the workforce. Cutting their energy costs will safeguard jobs and community spaces, helping the VCSE sector to support local communities and tackle child poverty.

We know that SMEs and VCSEs consider rising energy costs to be of significant concern:

- The NE Chamber of Commerce Q1 2025 report finds that *'Just more than half of firms reported energy as a concern.'*
- The Federation of Small businesses report - Q1 2025 *'52.7% of small businesses across the UK raised rising utilities as a source of changing business costs.'*
- We have also engaged with the energy team at VONNE (Voluntary Organisations' Network North East) who have confirmed that their members consider energy costs to be a significant concern.

The SME Energy Savings Programme will help North East businesses and VCSE organisations cut energy costs, safeguard jobs, and boost investment. On average businesses in Northumberland, North Tyneside, Newcastle and Gateshead, that received a grant via the Business Energy Savings Team (BEST) programme to install energy efficiency measures, saved over £6,700 on their annual energy bills. This is a significant saving when compared to the median average profit for SMEs in the UK (2024) of £70,000, potentially increasing profitability by 9.5%. The savings are more significant for UK SMEs with 1-9 employees who have a median average profit of £24,000, potentially increasing profitability for this group by 28%. Figures released by the Sage small business tracker show that between Q3 2024 and Q3 2025, the North East had the third smallest growth in average profitability of all UK regions.

The SME Energy Savings Programme will also strengthen the regional supply chain by supporting local installer networks through tender opportunities, a supplier directory and access to training, skills development and tailored business support as part of an integrated regional business support offer. This will build long-term regional capacity and create green employment opportunities across the North East.

2. The Investment Proposal

The SME Energy Savings Programme will allocate £750,000 to fund a procured provider (Delivery Partner) and a £1m grant fund. The delivery partner will be required to provide energy advice services to SMEs and VCSEs and to manage the grant fund for SMEs.

The North East CA will sit at the top of an umbrella approach to programme delivery, which will ensure that the CA is recognised regionally as the lead organisation. The SME Energy Savings Programme will be strategically managed by the North East CA, with project delivery undertaken by the procurement of a delivery partner to provide a well-connected support system that services the entire region. The SME Energy Savings Programme will be delivered by a procured supplier (delivery partner) but the North East CA will retain oversight and give advice.

Within the procurement specification, there will be required guidelines for the provision of a Programme Advisory Board, which will require the delivery partner to:

- Include a North East CA representative on the board.

- Invite representation from the seven Local Authorities in the region and VONNE (Voluntary Organisations' Network North East).
- Engage with existing energy efficiency programme providers to ensure that there is no overlap of provision.
- Give consideration to how they ensure the viability of rural delivery given the higher cost of installing energy saving upgrades/technologies in rural areas.
- Undertake regular reviews of the performance of the grant fund with the North East CA and the Programme Advisory Board.

The delivery partner will be responsible for the awarding of and management of the grants. The Programme Advisory Board will provide guidance and advice to the delivery partner.

The programme requires a total investment of £1.8m comprising:

- Procured delivery partner to deliver energy advice, energy audits and management of the grant fund: £750,000
- Grant fund: £1,000,000
- Evaluation: £50,000

Activities funded:

- Appointment of a delivery partner.
- Energy efficiency advice to SMEs and VCSE organisations.
- Energy efficiency audits for SMEs and VCSE organisations.
- A grant fund for installation of energy saving technology (available to SMEs only as VCSEs are eligible for alternative grant support from other programmes, which will be signposted as part of the support provided by this programme)
- Launch of a supplier directory to signpost organisations to the local supply chain.

Long-term impacts:

- Reduced energy costs for SMEs and VCSE organisations.
- Reduced carbon emissions from SMEs and VCSE organisations.
- Engagement with the local supply chain by publicising SME energy efficiency upgrades via tender opportunities.
- New jobs and safeguarded jobs.

3. Outputs and Outcomes

Outputs	26/27	27/28	28/29	Total	Integrated settlement target	% of Integrated Settlement target delivered
Number of Decarbonisation Plans	70	160	190	420		
Number of Enterprises accessing financial support in the form of a grant	50	100	150	300	1,000 (includes financial and non-financial)	30%
Number of Enterprises receiving non-financial support	70	160	190	420	1,000 (includes financial and non-financial)	42%

Description of Outcomes	Timeframe for achievement	Totals	Integrated settlement target	% of Integrated Settlement target delivered
Jobs created as a result of support	2026-2029	78		
Jobs safeguarded as a result of support	2026-2029	279		
Number of enterprises adopting new to the firm technologies or processes	2026-2029	144	125	115%
Number of low or zero carbon infrastructure installed	2026-2029	144		
Estimated carbon dioxide equivalent reductions as a result of support (tonnes of CO ₂)	2026-2029	2,334		

B. Impact on North East Combined Authority Objectives

The SME Energy Savings Programme supports the Mayoral manifesto, Local Growth Plan, and July 2024 Cabinet portfolio plans by cutting energy costs, creating jobs, growing the foundational economy, reducing emissions, and strengthening the green supply chain. It aligns with the North East's mission to lead the green energy revolution and low-carbon economy.

The SME energy savings programme will allow the North East CA to deliver against the devolution deal and the cabinet portfolio plan by providing advice and financial support to allow SMEs to invest in innovative new technology to reduce their energy costs.

C. Key risks

A summary of key risks relating to the investment proposal is included below, a detailed risk register is available in the full business case document.

Risk	Mitigating activity
Lack of Local Authority engagement could prevent access to learnings from the existing regional programmes: BEEP – Business Energy Efficiency Project BEST – Business Energy Saving Team BREEZ – Business Renewables Energy Efficiency Sunderland	North East CA team are working closely with Local Authority and the BEST, BREEZ and BEEP delivery teams to promote the benefits of a regional approach prior to the EOI call for a delivery partner. Further engagement sessions will be held following the appointment of a delivery partner to ensure that the programme is designed to be place based and sensitive of local needs and the local SME landscape. All 7 LAs in the North East CA region will be represented on the SME Energy Savings Programme Stakeholder Advisory Board.
A suitable delivery partner cannot be appointed	North East CA team to ensure that all established providers in this field are aware of the expression of interest call.
Grant fund not fully allocated by deadlines	North East CA team and delivery partner will work with local authorities and stakeholders to develop engagement sessions for SMEs. These engagement sessions will be part of a wider comms plan developed to talk about the programme and how businesses can benefit and apply for support/funding.

Demand for support/funding is too high	Projects will be assessed by the grant panel (The Stakeholder Advisory Board will fulfil this function) to ensure the most suitable projects that can deliver the programme's outputs and outcomes are financed. The panel will ensure equity of provision across the region, and will ensure that consideration is given to the fact that the fund is for a three year programme despite any potential spike in demand resulting from the current conflict in Iran. The North East CA Team will work with partners to identify opportunities and share lessons learnt.
Demand for support/funding is too low	Should there be low demand for the available support and funding, then the programme team and delivery partner will work with internal and external stakeholders to increase engagement with SMEs and VCSEs.
Projects do not progress beyond advice/audit stage	The North East CA Team will work with the delivery partner to map a route to delivery from the start (initial advice stage). The Team will have regular meetings with Delivery Partner to support SMEs who do not secure a grant to progress through the wider support landscape – e.g. promoting other opportunities for investment where necessary.
Delivery partner fails to deliver on targets	Regular progress meetings and monitoring of projects, risks highlighted early, support with mitigation.

D. Corporate Implications

D1. Financial and other resources implications

Funding Sources

The following funding sources will be used to support the delivery of the SME Energy Savings Programme:

Funding source	2026/27	2027/28	2028/29	Total
<i>North East CA Integrated Settlement</i> (Economic Development and Regeneration Pillar)	£447,654	£550,301	£802,045	£1,800,000
<i>Match funding (grant applicants)</i>	£200,000	£300,000	£500,000	£1,000,000
Total	£647,654	£850,301	£1,302,045	£2,800,000

D2. Legal implications

The comments of the Assistant Director Legal and Governance have been included in this report.

D3. Equalities implications

Advice has been sought from the Equalities team and training attended. The Initial Equalities Impact Assessment (EIA) has been completed and shared with the Equalities team.

Having reviewed this Initial EIA and gone through the details of this programme with the Clean Energy and Environment team, the equalities team are satisfied that the initial EIA provides sufficient due regard to equalities and inclusion. There is no need for a full EIA to be completed.

D4. Consultation and engagement

Consultation has been undertaken with the following organisations:

- BEEP – Business Energy Efficiency Project

- BEST – Business Energy Saving Team
- BREEZ – Business Renewables Energy Efficiency Sunderland
- The Business Development Officers Group (made up of representatives from the 7 Local Authorities in the North East CA region).
- Clean Energy Teams from each of the 7 Local Authorities in the North East CA region.
- The energy team at VONNE (Voluntary Organisations' Network North East).
- Internal North East CA engagement is ongoing with the North East Growth Hub team to ensure alignment with Business North East, the proposed wider Business Support Framework for the region.

E. Appendices

None

F. Background papers

[Cabinet Report 30 July 2024](#) [Local Growth Plan](#) The North East Combined Authority's portfolio plans

G. Contact officers

Name: Peter Riddell
 Title: Programme Manager (Net Zero and Energy)
 Email address: peter.riddell@northeast-ca.gov.uk

Name: Marianne O'Sullivan
 Title: Policy and Economy Advisor
 Email address: marianne.o'sullivan@northeast-ca.gov.uk

H. Glossary

BEEP – Business Energy Efficiency Project
 BEST – Business Energy Saving Team
 BREEZ – Business Renewables Energy Efficiency Sunderland
 EOI – Expression of Interest
 North East CA – North East Combined Authority
 SME – Small and Medium sized Enterprises
 VCSE – Voluntary, Community and Social Enterprises
 VONNE – Voluntary Organisations Network North East