

Environment and Sustainable Communities Overview and Scrutiny Committee



10 November 2014

European Structural and Investment Funds – Low Carbon Economy

Report of Ian Thompson, Corporate Director, Regeneration and Economic Development

Purpose of the Report

1. To inform Environment and Sustainable Communities Overview and Scrutiny Committee about the opportunities that will be available to County Durham from European Structural and Investment Funds for Low Carbon Economy funding.

Background

2. European Structural and Investment Funds (ESIF) represent a single growth programme combining European Regional Development Fund (ERDF), European Social Fund (ESF) and part of the European Agricultural Fund for Rural Development (EAFRD). The EU Structural Funds programme for 2014-2020 allocates circa £450m for the North East Local Enterprise Partnership (NELEP) area, including £135m for County Durham as a Transition Region. This presents a significant opportunity to support the economic, environmental and social infrastructure of the County in the medium term through the delivery of a range of EU compliant projects.
3. The national EU Programme is not yet operational, and is still in a preparatory phase, as the UK Government remains in negotiation with the EU Commission over the content of the English Operational Programmes (OPs) for both ERDF and ESF. The OPs contain the rules and the parameters of spending that the EU Commission will agree to in the UK. Until these are agreed, it is not possible to give certainty over the eligibility of specific projects, and so programmes of activity are still in a preparatory phase.
4. In order to prepare the English OPs, the Government has given LEPs a strategic role in preparing broad strategies for proposed investment themes within their areas, based upon the EU Commissions 2020 strategy and EU wide areas of eligible spend. LEPs are expected to work with local partners, to set out their priorities for the EU Growth Programme Funds in their area in an investment strategy
5. For the North East LEP area the 2014 – 2020 ESIF Programme incorporates £250 million of ERDF and £212 million of ESF. This money must be match

funded but because County Durham is a Transition area, up to 60% of total costs can be drawn down, with a requirement to find only 40% match.

6. The Strategic Objectives of the European Structural Investment Fund (ESIF) Strategy are:
 - a. **Innovation** and research and development – increased levels of R&D and Smart Specialisations
 - b. **Business Support** – increased trading, entrepreneurship, start up business and private sector access to finance
 - c. **Inclusive Growth** – improve employability and barriers to employment for the most economically vulnerable
 - d. **Skills** - improving skills provision and better linking to economic opportunity and the needs of business.
 - e. **Low Carbon Economy** – increased role of low carbon economy, energy efficiency and renewable energy generation

7. The low carbon economy is a new element which has not featured in previous rounds of ESIF. It is ring fenced and requires that 15% of County Durham's ERDF allocation must be spent on low carbon economic growth. Durham County Council's Sustainability and Climate Change Team has supported the drafting of the low carbon section of the NELEP's ESIF strategy and has assisted in developing a pipeline of potential low carbon economy projects for the whole area. This has put the Council in an excellent position to ensure that outcomes that would benefit County Durham fit well within the programme.

8. The NELEP is now engaged in refining areas of expenditure into more clearly defined programme briefs in anticipation of the series of calls for projects once the OP is approved; most likely in the Spring of 2015. In anticipation of the call for project applications, work is now beginning to "shape up" a number of the agreed spend areas into more defined projects. As the Council may be submitting applications to deliver a number of projects, with significant cost value, a process of internal approval is now in place, prior to any applications for funding being submitted next year.

9. It should be noted that the Council does not have a bespoke allocation of funding or any formal role in approval of projects or management of a programme. However, as secretariat to the CDEP there is a significant influencing role for the Council, maintaining a programme overview and stimulating the development of projects in priority areas, once the programme is operational.

10. EU funds are only available for projects that fit with and meet the eligibility criteria, activities and outputs contained within the English Operational Programme, and support the objectives within the open calls locally. Projects will have a defined start and end date, agreed eligible activity and recorded outputs which are agreed with DCLG. Within Transition Regions, match funding of a maximum of 40% needs to be secured by the project sponsor.

11. A great deal of work has taken place over the past year to engage key partners and develop areas of spend that should meet European output requirements. Emphasis has been placed on identifying possible sources of match funding and of ensuring the projects meet the relevant output indicators. Key external partners have included Durham University and especially the Durham Energy Institute; the Altogether Greener and Local Nature Partnerships; Northern Power Grid; Environment Agency; etc. and extensive support has been received from directorates across DCC. Likely areas of activity for County Durham are set out below although these will be dependent on eligibility as defined in the final OP next year:

Areas of Activity

12. **Energy Efficiency** There are opportunities to continue the award winning area based energy efficiency housing retrofit scheme that has already been developed in Craghead. This will benefit home owners and private and social rented tenants. At this stage no final decision has been made as to which areas would be targeted.
13. The North East Chamber of Commerce reports that energy costs have featured in our businesses' the top three concerns in every quarterly survey over the past six years so a major programme of **business energy efficiency support** is desirable. This would aim to provide accessible technical information and case studies and would supply both energy surveys and assistance with implementation. Access to finance and business to business support are considered crucial.
14. **Community energy efficiency** is featured in the submission to Government and the latest Government guidance also suggests that public buildings can be included in the programme. Consideration is therefore being given to developing a programme of energy retrofits to schools, community buildings and other buildings that are central to local communities. These would be required to maximise educational opportunities so that local people and organisations can apply the learning in their own properties.
15. **Innovative Technologies and Renewable Energy Generation** District heating opportunities are being explored, especially for the Aykley Heads site. A funding bid for a feasibility study has been approved by Government Department of Energy and Climate change (DECC) Heat Networks Delivery Unit and we have also been asked to look at water sourced heat pumps within this.
16. The best remaining untapped source of **geothermal energy** in England is the geological system that extends from beneath Eastgate and Rookhope across to Bishop Auckland, so opportunities are being explored for a range of potential projects on this theme.
17. **Energy systems**, including smart grids, energy storage and reduction in peak energy usage are another area of interest for the County. Significant grant funding was secured by Durham University and partners for the Customer Led Network Revolution project which is now coming to an end.

We hope to be able to build on the success of this project to develop a new ERDF initiative.

18. **Green infrastructure** A major area of interest for County Durham is ERDF Objective 5A, which focusses on Green Infrastructure, climate change adaptation and flood alleviation but Government guidance remains unclear as to whether or not this will be included in the final OP. There is also interest in developing a new North East Water Science Hub which could offer opportunities for growth in this sector.
19. **Low Carbon Skills** Durham University has been a key partner in considering low carbon economy opportunities and a range of potential skills projects are under discussion

Recommendations

20. The Environment and Sustainable Communities Overview and Scrutiny Committee is asked to note the content of this report and offer views as to direction of travel of the emerging programme.
21. That the Environment and Sustainable Communities Overview and Scrutiny Committee receive a progress report early in 2015.

Background Papers

North East Local Enterprise Partnership European Structural and Investment Funds Strategy 2014-20.

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Appendix 1: Implications

Finance – A DCC contribution to the Partnership has been confirmed at £506,513 to match the HLF allocation of £1,895,700 for the period 2011-2016.

Staffing –

None

Risk – A risk register is kept as part of the project management of the programme.

Equality and Diversity / Public Sector Equality Duty – The Partnership pay particular attention to access issues and this has been integrated into both the LCAP and specific Developing Community Capacity strategies.

Accommodation –

None

Crime and Disorder –

None

Human Rights –

None

Consultation – The partnership continues to deliver a wide programme of community consultation and engagement, and to involve local interests in developing and managing specific programmes and projects.

Procurement – Procurement will follow both DCC and the HLF financial regulations and guidelines.

Disability Issues – Complies with DCC general equality duty.

None