

Report to: Green Economy Panel

Date: 23 October 2018

Subject: **Future Funding**

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1. Purpose of this report

- 1.1 To provide an update on current and future funding streams to support the Panel's strategic ambitions.

2. Information

- 2.1 There are a range of European and national funding streams supporting the transition to a zero carbon economy and the protection and enhancement of the natural environment. This paper is not a full assessment of the current schemes available to support the Panel's ambitions. It is meant to highlight a few forthcoming opportunities and outline the initial thinking on the new UK Shared Prosperity Fund.

Current GEP major projects

- 2.2 The following table highlights the currently funded Green Economy Panel major projects and their funding streams and timescales. It also identifies where new funding is / planned to support these projects post 2019.

Major Projects	Funder	Funding timescales	New funding being explored
Energy Strategy and Delivery Plan	BEIS	March 2018	Energy Accelerator and Energy Hub
REF I	ERDF PA3 Local Growth Deal	October 2019	ERDF PA4 – November 2018 (see below)

Better Homes	ECO3	New ECO coming October 2018 - 2021	
Warm Homes	Round 1	May 2019	Warm Homes Round 2a - September 2018 (see item 9)
Energy Accelerator	EIB- ELENA Local Growth Deal	August 2021	
District Heat Networks	HDNU – various rounds 1 - 7	Various	Energy Accelerator

Forthcoming Funding - European Funds

2.3 Under the City Region's current European Structural and Investment Funds (ESIF) programme several new European Regional Development Fund Calls (ERDF) are planned to be launched in early October 2018, with an expected closing date around the 23rd November 2018. Calls which are expected to be published in the following Priority Axis areas:

- **PA1 Research and Innovation:** 1 Business Investment in Research and Development Call
- **PA3 SME Competitiveness:** 1 SME Productivity Growth Call & 1 Property Focused Call on Key Growth Sites and Spatial Priority Areas
- **PA4 Low Carbon:** 1 Low Carbon Call including resource efficiency
- **PA6 Preserving and Protecting the Environment:** 1 Habitats and Environmental Call

2.4 As discussed by the Panel previously, the Combined Authority will be bidding for funding under the forthcoming PA4 Low Carbon call to continue the Resource Efficiency Fund up to 2022 and to widen the scope of the support provided.

National Funds

2.5 At a national government level there have been a range of recent calls including the Industrial Strategy Challenge Fund and the Strength in Places Fund. The following new funds are also anticipated:

- **Round 8 Heat Networks Delivery Unit** (open now). This provides grant funding and guidance to local authorities in England and Wales for heat network project development. This fund closes on 31st December 2018.
- **Heat Networks Investment Funding** (opening in Autumn 2018). This is a £320m Heat Networks Investment Project capital investment programme. It is expected to support up to 200 projects by 2021 through grants and loans and other mechanisms and to lever in up to £2bn of wider investment,

reducing bills, cutting carbon and forming a key part of wider urban regeneration in many locations.

- **Industrial Heat Recovery Support** (opening in autumn 2018). This is a fund to increase industry confidence to invest in technologies to recover heat from industrial processes and to increase the deployment of such technologies in England and Wales.
- **Industrial Challenge Fund** – The Industrial Strategy Challenge Fund aims to bring together the UK's world-leading research with business to meet the major industrial and societal challenges of our time. This is part of government's £4.7 billion investment in R&D over 4 years. This includes the faraday battery challenge and prospering from the energy revolution. A full list can be found at www.gov.uk/government/collections/industrial-strategy-challenge-fund-joint-research-and-innovation
- **Hydrogen Supply Competitions** (Phase 1 opens in Oct 2018, with Phase 2 in May 2019). There is a range of funding to support for low carbon industry including the Hydrogen Supply Competition. This is a £20 million Hydrogen Supply programme aiming to accelerate the development of low carbon bulk hydrogen supply solutions. A full list of other low carbon industry funding can be accessed at www.gov.uk/guidance/funding-for-low-carbon-industry.

Other forthcoming funding

- 2.6 **Warm Homes Round 3** (Open on 4th December and close at midday on 8th February 2019). The Warm Homes Fund (WHF) is a £150million fund provided by National Grid and administered by Affordable Warmth Solutions (AWS) across England, Scotland and Wales. It is primarily designed to incentivise the installation of affordable heating solutions in fuel poor households who do not use mains gas currently as their primary heating fuel. It is envisaged that this fund will be used to supplement local initiatives and existing funding streams.
- 2.7 **Highways England Designated Funds** (Open now - 2021). These are a series of ring fenced funds designated to Highways England to address a range of issues beyond the traditional focus of road investment. There are 5 designated funds:
- environment – £300 million
 - cycling, safety and integration (CSI) - £250 million
 - air quality – £100 million
 - innovation – £150 million
 - growth and housing – £100 million
- 2.8 At present the Combined Authority is in the very early stages of exploring the two funding streams above and potential, eligible schemes.

Longer term funding landscape post ESIF

- 2.9 The Government has made a commitment to create a new UK Shared Prosperity Fund (UKSPF) to replace ESIF, “*designed to reduce inequalities between communities,*” *delivering “sustainable, inclusive growth”*. Work is ongoing in helping government give consideration to how the fund could work when addressing the need to raise both productivity and drive inclusive growth. It should be noted that LEPS’s and Combined Authorities will play a key role in working with government to ensure that any future funding model is aligned and supports the delivery of Local Industrial Strategies (the government has said Local Industrial Strategies should be used to help prioritise and maximise the long term impact of the UKSPF). Administration of the SPF is promised to be simpler than for EU funds. Further information is expected as part of the 2019 Spending Review. Government have made a commitment to hold a formal consultation on the SPF expected later this year.
- 2.10 The Combined Authority will report regularly to the Panel on the progress relating to the development of the Shared Prosperity Fund.
- 2.11 The Panel is asked to identify areas of interest from the above funding streams and to identify any other funding sources that should be explored by the Panel.

3. Financial Implications

- 3.1 There are no implications associated with this paper.

4. Legal Implications

- 4.1 There are no implications associated with this paper.

5. Staffing Implications

- 5.1 There are no implications associated with this paper.

6. External Consultees

- 6.1 No external consultations have been undertaken.

7. Recommendations

- 7.1 That the Panel note the funding update and comment on and identify areas of interest to explore in 2019.

8. Background Documents

- 8.1 None.

9. Appendices

9.1 None