

2014 to 2020 European Structural and Investment
Funds Growth Programme

Call for Proposals
European Regional Development Fund

**Sustainable Urban Development Strategy:
(North East)**

Managing Authority:	Department for Communities and Local Government
Fund:	European Regional Development Fund
Priority Axis:	Priority Axis 4: Supporting the Shift Towards a Low Carbon Economy in all sectors Priority Axis 5: Promoting climate change adaptation, risk prevention and management
Call Reference:	OC25R17S 0637
Local Enterprise Partnership Area:	North East
Sustainable Urban Development Strategy	Sustainable Urban Development for the North East
Indicative Fund Allocation(s)	Priority Axis 4: £16,000,000 and Priority Axis 5: £ 2,600,000
Call Open:	15 September 2017

Call Closes:

23:59 30 March 2018

Two review points:

- **30 November 2017**
- **31 January 2018**

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1. Introduction

The 2014 to 2020 European Structural and Investment Funds bring the European Regional Development Fund, European Social Fund and part of the European Agricultural Fund for Rural Development together into a single European Union Structural and Investment Funds Growth Programme for England supporting the key growth priorities of innovation, research and development, support for Small and Medium Sized Enterprises, low carbon, skills, employment, and social inclusion.

The Government has confirmed that it will guarantee EU funding for structural and investment fund projects signed before the UK's departure from the EU, even when these projects continue after we have left the EU.

As a result, British businesses and other organisations will have additional certainty over future funding and should continue to apply for EU funding while the UK remains a member of the EU.

Funding for projects will be honoured by the government, if they meet good value for money and are in line with domestic strategic priorities. Each government department will take responsibility for the allocation of money to projects in line with these conditions and the wider rules on public spending. The full detail of the announcement can be found at the following [website link](#).

The Funds are managed by the Department for Communities and Local Government for the European Regional Development Fund, Department for Work and Pensions for the European Social Fund and the Department for Environment, Food and Rural Affairs for the European Agricultural Fund for Rural Development. These Departments are the Managing Authorities for each Fund. In London, the Greater London Authority acts as an intermediate body for the European Regional Development Fund and European Social Fund programmes.

Newcastle City Council has been designated as an intermediate body for the [Sustainable Urban Development Strategy](#) for the North East to perform the following tasks:

- Input into project calls in respect of local development needs (with reference to the local European Structural and Investment Funds strategy and Sustainable Urban Development strategy); and
- Assessment of applications against certain selection criteria in relation to fit with local priorities in respect of the European Regional Development Fund.

The managing authorities and intermediate bodies work closely with local partners on ESI Funds sustainable urban development sub-committees in each local enterprise partnership area. Partners on these sub-committees provide:

- Practical advice and information to the managing authorities to assist in the preparation of local plans that contribute towards operational programme priorities and targets;
- Local intelligence to the intermediate body in the development of project calls that reflect operational programme and local development needs as well as match funding opportunities; and
- Advice on local economic growth conditions and opportunities within the context of the operational programme and the local European Structural and Investment Funds strategy to aid the intermediate body's assessments at outline and full application stage.

This call is issued by the Department for Communities and Local Government and invites outline applications in respect of the European Regional Development Fund for England 2014 to 2020.

2. Call Context

On behalf of the national Growth Programme Board, the Department for Communities and Local Government (the Managing authority) invites applications seeking European Regional Development Fund investment to support delivery of the [North East Sustainable Urban Development Strategy](#). Applications are invited under the priority axis of the European Regional Development Fund operational programme set out in the tables below.

N.B Under this call an application can be made for a project:

- That would be funded from one of the investment priorities set out below; and
- That would be funded from more than one of the priority axis set out below - projects need not meet the requirements of all of the priority axis.

Applications made under more than one priority axis should be for a coherent project that clearly links concurrent or sequential activities under each priority axis. Please note the limits on project duration set out in section 6.4 when considering whether to apply under more than one priority axis, particularly if the activities under the priority axis are sequential.

[Investment Priorities:

- 4a** Promoting the production and distribution of energy derived from renewable resources.
- 4b** Promoting energy efficiency and renewable energy use in enterprises.
- 4c** Supporting energy efficiency, smart energy management and renewable energy use in public infrastructure, including in public buildings, and in the housing sector.

- 4e** Promoting low-carbon strategies for all types of territories, in particular for urban areas, including the promotion of sustainable multimodal urban mobility and mitigation-relevant adaptation measures.
 - 4f** Promoting research and innovation in, and adoption of, low-carbon technologies.
- and
- 5b** Promoting investment to address specific risks, ensuring disaster resilience and developing disaster management systems.

Any application for funding will be required to clearly demonstrate that it meets the requirement of, and makes a meaningful contribution to, the delivery of the relevant priority axis of the [European Regional Development Fund operational programme](#).

In addition, applications will be expected to meet identified local development needs, as expressed in the scope of this call and as set out in the [North East Local Enterprise Partnership area](#) European Structural and Investment Funds strategy and the [Sustainable Urban Development Strategy for the North East](#).

Applicants are advised to familiarise themselves with the detail of the operational programme, local European Structural and Investment Funds strategy, and the Sustainable Urban Development strategy for the North East and the relevant documentation listed in sections 5 through to 8 **prior to** submitting an outline application.

3. Scope of the Call

3.1. Scope

This call invites outline applications which support the delivery of **Priority Axis 4 and 5** of the European Regional Development Fund operational programme and respond to the local development needs set out in the [North East Local Enterprise Partnership](#) area European Structural and Investment Funds strategy and the [Sustainable Urban Development strategy for the North East](#).

Please note that projects will only be selected if they contribute to the delivery of the Sustainable Urban Development strategy for the North East. Projects that do not support this strategy will not be selected even though they may support the wider European Regional Development Fund operational programme or the [North East Local Enterprise Partnership](#) area European Structural and Investment Funds strategy.

<p>Indicative fund allocation:</p>	<p>Indicatively, through this call the managing authority expects to allocate up to:</p> <p>Priority Axis 4: £16,000,000</p> <p>Priority Axis 5: £2,600,000</p> <p>The managing authority reserves the right to invite to full application (and subsequently approve) projects that have a cumulative value that is higher or lower than this indicative allocations, subject to the volume and quality of proposals received. The managing authority may also decide to place some projects submitted through this call on a reserve list and invite them to proceed at a later date, subject to the availability of funding.</p> <p>There is no indicative allocation of European Regional Development Fund funding between capital and revenue activity, both capital and revenue is eligible dependent on the nature of activities / investment priorities set out in the call.</p>
<p>Minimum application level</p>	<p>European Regional Development Fund investment is intended to make a significant impact on local growth. Applications are expected to demonstrate appropriate scale and impact. The managing authority does not intend to allocate less than £500,000 European Regional Development Fund to any single project. Consequently projects with a total value of less than £1,000,000 will not normally be supported under this call.</p> <p>If multiple priority axis: For applications made under more than one priority axis the total amount of European Regional Development Fund requested will be assessed against the values above There is no minimum requirement at priority axis level.</p>
<p>Duration of project activity</p>	<p>Projects should plan to deliver activity for a maximum of three years; however the managing authority reserves the right to vary the maximum duration, upwards or downwards.</p>
<p>Geographical scope</p>	<p>The England European Regional Development Fund operational programme operates on a National basis. All eligible European Regional Development Fund expenditure must benefit organisations located in England.</p> <p>Revenue projects should predominantly support businesses based within the North East Local Enterprise Partnership More Developed area of this call.</p>

Specific call requirements	<p>This call is for proposals in the More Developed area. The specific geographical area/coverage is shown on the MAP in the local development need section of this call.</p> <p>Please note: Value for Money and alignment with Strategic Domestic Priorities will form a key part of the assessment and appraisal of all applications. Therefore proposals should clearly articulate and demonstrate how activities align with domestic strategic priorities and offer good value for money.</p>
Call deadlines	<p>For this specific call, applications will be assessed in batches at specific review points,</p> <ul style="list-style-type: none"> • 30 November 2017 • 31 January 2018 • 30 March 2018 <p>Please note that the entire amount of European Regional Development Fund funding allocated to this call may be allocated at the first assessment point. If this happens the managing authority may choose to close this call or to leave the call open and continue to assess applications, however, these applications will only progress if there is sufficient funding available, in effect projects will be placed on a reserve list.</p> <p>Applications received after the published call close date will not be considered</p>

3.2. Local development need

Projects must deliver activity which directly contributes to the objectives of **Priority Axis 4 and/or Priority Axis 5** of the operational programme, one or more of the relevant Investment Priorities and meet the local development need expressed in the table below.

Local Development Need
<p>Local growth priorities:</p> <p>The North East LEP (NE LEP) area includes both a sizable urban population, concentrated along the rivers Blyth, Tyne, Wear and Wansbeck and a large rural population. Our urban areas act as a concentration of economic and social activity, home to over 1.3m people, the majority of employment and hubs of social and retail interaction. This forms the basis for the Sustainable Urban Development programme. However, the added value of the approach in the North East is not just the diverse and vibrant urban locations but the strong links and relationship with a large rural area.</p>

The economic story of the North East with the decline of traditional employment models and the embrace of new growth in digital, health and life science, advanced manufacturing and energy and subsea technologies also provides an opportunity to test and develop innovative, integrated and partnership-based responses to the key global challenges facing urban areas, drawing on the capacity and expertise of the full range of partners represented in the quadruple helix of private, public and voluntary and community sectors working with universities and research institutions, a useful test bed for demonstrating new approaches.

The North East LEP area covers seven local authority areas. The Sustainable Urban Development (SUD) strategy incorporates the part of the geography most closely linked to the large 'urban area', centred on Tyne and Wear. The following map shows the area for activity in the NE LEP area's SUD proposal.



Published May 2017 Scale: 1:300,000 Produced by the Digital Team, Information Services, © Crown Copyright. All rights reserved. NORTHUMBERLAND COUNTY COUNCIL OS Licence No. 100049048.

Backed by excellence in areas of smart specialisation, innovation and a rapidly developing expertise in areas of low carbon growth, the North East's approach to SUD is built around the development, demonstration and commercialisation of new integrated approaches to global urban challenges, becoming a 'living laboratory'.

The urban geography proposed for the NE SUD Programme has:¹

- a population of 1.3m people² or two-thirds of the

LEP area population

- over two-thirds of the economic output at about £22bn³
- half of the total business count, providing a higher rate of employment with 60% of medium and 75% of large businesses located in this area
- jobs growth, 65% of the jobs growth between 2005 and 2015 occurring in

¹ Due to data availability output and other figures use Tyne and Wear figures as a proxy for the 'urban area'. This underplays the full impact of the entire 'urban geography' in the LEP economy but provides a sense of scale and impact.

² ONS Mid-year population estimates 2014

³ ONS Regional GVA figures 2013 (published December 2014)

Tyne and Wear

- higher paid jobs, with average weekly workplace pay being higher in Tyne and Wear (£487.20) than either of the more rural counties (£447.50 and £452.10 respectively).⁴

The North East LEP area has a job density consistently higher than the LEP average, although still below the Great Britain average (0.7 to 0.8).⁵

The NE LEP area has particular strengths in: sustainable: energy systems and networks, transport choices, and infrastructure investment, with high proportions of the national employment in offshore wind, geothermal, hydroelectric, and biomass energy, alternative fuels, heat networks and electric vehicles present in the North East. In recent years, the North East has developed significant and distinctive strengths in the low carbon environmental goods and services sector as highlighted in the Sustainable Growth study⁶. ClimateNorthEast identified major opportunities for further growth, with potential to drive a 0.8% increase in GVA and 10,000 new jobs by 2020.

Further information on the local economic context is available in the: North East LEP area's: ESIF strategy, Smart Specialisation study and Sustainable Growth Study at: <http://www.nelep.co.uk/whatwedo/publications/>.

Local ESIF / SUD aims and investment priorities relevant to priority axis

This SUD funding will contribute to the North East LEP area's European Structural and Investment Funds Strategy, and the national ERDF Operational Programme, by providing a specifically place-based approach to demonstrating and supporting business growth, drawing on the potential of innovation and low carbon solutions.

This approach will support the establishment of new businesses, grow existing businesses and enable more, and more highly, skilled jobs to be created. Positioning the North East as the place to develop and commercialise new ideas, will promote broader economic growth whilst also enhancing the social and environmental outcomes for the North East.

The North East's approach to SUD is built around the development, demonstration and commercialisation of new integrated approaches to key global urban challenges of energy, transport and environmental change. By providing an opportunity to test and demonstrate new solutions to these challenges in a significant, diverse but manageable urban geography these ideas can be replicated across wider areas, making the NE a 'living laboratory' in the context of climate change via the six investment priorities under Priority Axes 4 and 5.

Specific market/equity failure to be addressed by this call

The NE LEP SUD area is experiencing some significant challenges including: relatively low levels of employment, too few private-sector and high-skilled jobs, low

4 ONS IDBR 2014 and ASHE median workplace earnings 2014

5 ONS Job density figures 2015

6 <http://nelep.co.uk/wp-content/uploads/2014/10/sustainable-growth-final-report-14989-.pdf>

business start-up, and underperformance in spinning-out new ideas. Therefore, this call will focus on driving innovation growth through the SUD to address these challenges under three specific pillars:

Pillars	Key market failures to be addressed
Sustainable energy systems and networks	There are very few examples of energy networks and systems in place which engage with communities to successfully roll out. The NE currently experiences high energy usage figures, coupled with high fuel poverty and low renewable generation.
Sustainable transport choices	<p>Lack of coordination and real time information in travel networks and infrastructure to encourage take-up and use of low carbon and more active travel options.</p> <p>Inadequate system to maximise the take up of innovative technologies and low carbon transport equipment or capable of managing flows to reduce emissions.</p> <p>A place-based, comprehensive approach to transport that aims to improve environmental, health and social outcomes and minimise carbon emissions is required, but requires public intervention due to the lack of revenue-generation potential.</p>
Sustainable infrastructure investment	Building and physical infrastructure which does not enhance the quality of green and blue infrastructure to reduce flooding risk, pollution or temperature.

Economic data specific to the identified market failure (not generic to the geographic area targeted)

- The wider LEP area has a higher rate of CO2 emissions⁷ from industry than the English figure although this is somewhat lower in Tyne and Wear reflecting a different economic basis. For domestic emissions both the LEP and Tyne and Wear have higher figures reflecting both the increased energy use associated with rural areas and the older and poorly insulated housing stock in the urban area.

Transportation and energy therefore represent particularly large elements of CO2 emissions and contribute significantly to environmental damage. The urban area of the North East is well placed to address these challenges and test potential solutions due to several positive factors:

⁷ DECC Carbon Dioxide Emissions Estimates 2012 (published 2014)

- Relatively low car ownership and usage (motor vehicles traffic at 898 vehicles miles per annum against a national figure of 1,751)
- A relatively stable bus network (only a 1% fall in commercial bus mileage across Tyne and Wear in the context of a national underlying trend of decline in miles travelled by bus)
- The heavily used Tyne and Wear Metro provided 38m passenger journeys in 2014/5.

Nevertheless, there are trends which highlight concerns over long-term trends:

- Car use is rising and is the main mode of transport across the LEP demonstrating the need to ensure better connectivity between hubs, as well as improved linkages between urban and more rural locations, and within urban locations.
- Journeys by foot and bike are both low by English levels suggesting the scope for more healthy travel choices is significant, addressing not only sustainability and climate change challenges but also the need to improve health in the area.⁸
- High costs of transportation, with DfT figures showing that costs for bus and rail having risen by more than the cost of living consistently for a number of years,⁹ and energy (alongside housing, food and other 'basic goods') have been identified as driving poverty, with over 2.28 million households in fuel poverty and with those facing fuel hardship experiencing increased hardship¹⁰.
- Businesses in the North East have reported challenges around energy and resource efficiency and issues regarding flooding as being significant. In fact, the new Flood Footprint model by Blue-Green Cities shows that, in 2012, the direct damages caused by the 2012 flood were £34m, while the indirect damages were £44m. In addition, a Climate North East study estimated that, without interventions, there is a potential cost to the North East of England of £600m per year by 2050.

Relevant studies which support the market / equity failure identified

Further information on the market failures and potential for growth can be found in a series of local studies undertaken to inform North East strategy development in recent years:

- <http://nelep.co.uk/wp-content/uploads/2014/10/sustainable-growth-final-report-14989-.pdf>
- <http://www.newcastlecityfutures.org/publications/>
- http://www.northeastca.gov.uk/sites/default/files/file_attachments/NECA%20Transport%20Manifesto_1.pdf
- <https://research.ncl.ac.uk/ibuild/>
- <http://www.bluegreencities.ac.uk/>

Local priorities:

8 Nexus, Strategic Intelligence Report 2012-13
 9 DfT Transport Statistics for Great Britain, 2013
 10 DECC Fuel Poverty Strategy 2015 pg 32

Proposals should demonstrate alignment with local development need and priorities including:

Sustainable Urban Development in the North East aims to support a programme of investment in integrated and/or aligned projects which demonstrate innovative solutions such as using systems, network and data to the key urban challenges. These will address energy systems, transport networks and sustainability of infrastructure in the context of climate change. The importance of biodiversity, flooding and temperature management are also recognised as key to long-term sustainability and should be part of the solution.

The approach to SUD will not be solely capital focused and will, where enabled by the outputs and the Operational Programme, include revenue support to encourage take-up and practical application. Project proposals will need to set out how they will incorporate or align with programmes that achieve increased engagement with target communities, individuals or businesses to actively encourage take up and use of technologies and approaches.

SUD projects will be encouraged to be developed to reflect the following principles:

Integrated –This is at the core of Sustainable Urban Development and demonstration of solutions is most effective and most challenging at the place-level across themes. **Projects will be encouraged where they contribute to more than one of the pillars** but integration may also be demonstrated as part of a programme of discrete projects, as part of a comprehensive place-based approach or be linked to projects part-funded from other sources.

Interwoven and partnership-based –individual partners do not have all the answers therefore projects will need to reflect a range of partners and organisations who can bring individual specialism, skills and experience. The ‘quadruple helix’ approach, bringing together public institutions, universities, the voluntary and community sector and business, is the best basis for addressing these issues.

Innovative– projects will need to do something innovative to address the challenges; reflecting the North East’s approach to innovation this could be a product, or new use of a product, approach, process or business model that enables a challenge to be addressed in a new way.

The North-East SUD proposals will draw on the capacity of all partners across the public, private, voluntary and research/education sectors, focusing activity across one, or more, of the following 3 Pillars:

Sustainable energy systems and networks

Energy generation (from renewable sources and waste-energy) as part of an integrated approach to energy generation and distribution is a key element in achieving affordable, reliable and secure energy. In an urban context, this is likely to include micro-, small-scale, and distributed generation linked to a wider distribution network and smart grid and reflecting the challenges of generation in an urban

location such as space limitations and noise and opportunities to use waste energy and products from manufacturing and large scale institutions.

Energy distribution and storage as part of an integrated network or system is required to support the effective roll out of renewable energy. Effective management of supply and demand through new technologies and roll out of a system and network approach will enable greater take up for public, private and domestic properties and stronger management of energy to enable costs to be reduced and demand to be more closely managed. This can be well demonstrated in relatively compact urban areas with a variety of user types.

Whole place approaches the use of an integrated system most effectively needs full preparedness of linked buildings to ensure energy efficiency is maintained to manage demand as well as supply. This is necessary to ensure that the approach is sustainable. Improvements and retrofit to the property linked to the system is considered part of a whole place approach to facilitating the system or network although not as a stand-alone element. Infrastructure for the generation, storage and distribution sits in a place and can have a large impact on this; development should therefore enhance the sustainability and use of the location particularly in relation to green/blue corridors, flooding, and heat management and pollution reduction.

Sustainable transport choices

Sustainable and healthy travel network - moving to low carbon travel choices, such as increased walking and cycling, have a direct impact on reducing carbon and poisonous emissions and are increasingly the quickest as well as healthiest and most affordable option within urban locations. Supporting infrastructure to make this a natural and safe choice will further increase take-up for those living and working in relatively close locations. Nevertheless, with people's working patterns favouring longer-distance commuting, end-to-end walking or cycling are not always possible, improving links and routes and information on options into hub locations of the public transport network such as Metro, train and bus) with appropriate facilities (such as bike storage) will make this more often a natural choice providing it is affordable, reliable and easy.

Low carbon vehicles – other forms of transport will continue to be important for both passenger and freight purposes but traditional vehicles continue to be major sources of carbon and other pollution emissions; freight and older taxis and buses have been identified as being large producers of such emissions. Building on the local strengths in low carbon vehicle manufacture and innovation in low carbon technologies, alongside an already sizable electric vehicle infrastructure, expansion to support the wider use of electric and other low/ultra-low carbon vehicles will aim to increase take up of approach in other vehicle sectors and across other vehicle types.

Effective systems and data – congestion and poor road use is a leading cause of carbon emissions and other pollutants. A smarter, more data-driven and real time approach to understanding traffic flows and managing these as well as incentivising road use that minimises congestion is a key element in reducing carbon emissions. The use of satellite technologies and smart road systems can improve flows

alongside traffic-management approaches which prioritises use to spread flows outside of peak times.

Sustainable infrastructure investment

Sustainable places – lies at the heart of Sustainable Urban Development bringing together the individual investment at a specific site or technology to enhance and improve the wider locations as part of a holistic plan. Places can range from an office or industrial development to a city or town centre or be based around a key institution or thoroughfare, in each case the quality of the development will incorporate enhanced natural environment which integrates technologies and approaches to reduce flood risk, carbon emissions, pollution and or impact of heat or cooling through better design.

Reducing flood risk – surface flooding is a key challenge in many urban areas as natural flood reduction has been gradually lost to development. Innovative approaches to re-designing this into the established urban fabric either as part of redevelopment or infrastructure development or to enhance existing infrastructure will support businesses through enhanced protection.

Alignment with relevant local strategies (e.g. Smart Specialisation, Strategic Economic Plan)

Projects will be expected to support and align with wider local strategic priorities supporting the delivery of local priorities set out in the Strategic Economic Plan; innovation-led growth and support wider business competitiveness. Focusing on the testing and demonstration of innovative low carbon technologies, processes and applications.

Key areas for delivery are around the support for growth in Smart Specialisation where the North East has particular strength and potential, such as health and life sciences (including medicines manufacture), passenger and low carbon vehicle manufacture, subsea and offshore engineering (with an energy generation, systems and networks strength) and digital and data technologies. Supporting this growth alongside open-innovation, test and demonstration to re-take our position as an innovation hotspot and drive business growth, the North-East needs to commercialise research, demonstrate potential and support businesses to grow, making use of innovative ideas.

Existing provision that should be complemented (e.g. growth hubs)

SUD projects will need to ensure that they complement, and work with existing facilities, assets and programmes already in delivery such as wider ERDF provision, the Innovation SuperNetwork and [Growth Hub](#) and assets such as, but not limited to:

- Offshore Renewable Energy Catapult, in Blyth;
- Neptune Centre for Subsea Technology;
- Newcastle Science Central;
- the national centres for Innovation in Ageing, Data and Energy Systems

- Integration;
- Enterprise Zone sites;
 - Electric vehicle innovation sites Zero Carbon Futures and Gateshead College, working with a range of other partners and the Skills Academy for Sustainable Manufacturing and Innovation.

3.3. Operational programme investment priorities

Applications must specify the activities to be delivered and must directly contribute to **one or more** of the following Investment Priorities:

Investment priority	4a – Promoting the production and distribution of energy derived from renewable sources.
Specific objectives	Increase the number of small scale renewable energy schemes in England.
Indicative actions	<p>Projects will support micro-energy installations, off-grid energy productions, renewable heat networks and ground and air source heat pumps:</p> <p>Under this investment priority, indicative actions to be supported by European Regional Development Fund may include:</p> <ul style="list-style-type: none"> • Measures to support increased production of renewable fuels and energy, in particular wind energy, solar and biomass; • Support to build capability and capacity for supply chains in renewable energy; • Demonstration and deployment of renewable energy technologies; • Measures to support the wider deployment of renewable heat, including micro-generation, geothermal, renewable heat networks or district heating, ground source and air source heat pumps. Also including biomass systems with associated heat off-take and heat distribution networks along with recycling processing reprocessing and remanufacturing

	<p>facilities; and</p> <ul style="list-style-type: none"> • Anaerobic digestion plants and other biomass or landfill gas schemes.
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Investment priority	4b – Promoting energy efficiency and renewable energy in enterprises.
Specific objectives	Increase energy efficiency in particular in small and medium sized enterprises, including through the implementation of low carbon technologies.
Indicative actions	<p>The main target group is small and medium sized enterprises.</p> <p>Under this investment priority indicative actions to be supported by European Regional Development Fund may include:</p> <ul style="list-style-type: none"> • Enhanced advice, support, information and action to promote innovation in businesses and how they operate, in order to deliver best practice in energy management. This will include innovation in energy efficiency and energy cost reduction to improve businesses’ competitiveness and resilience; • Support to small and medium sized enterprises can deliver CO₂e savings through direct energy saving and savings through water, waste, transport and embodied energy in materials etc; • Support to businesses to undertake ‘green’ diagnostics or audits of energy efficiency and potential for renewable generation and energy use, which will be followed by provision of energy efficiency information and guidance, tailored energy action plans and support to implement them; • Investing in energy efficiency measures, processes and renewable generation capacity to improve a business’ or building’s environmental performance or its resilience to the impacts of climate change;

	<ul style="list-style-type: none"> • Investing in measures to stimulate cost-effective deep renovations of buildings, including staged deep renovations; • Supporting an increase in energy efficiency in enterprises including an emphasis on ‘whole place’ especially through improving industrial processes, designing out waste, recovery of ‘waste’ heat energy and combined heat and power; • Supporting increased small and medium sized enterprises access to national and local government procured contracts for energy efficient goods and services; • Developing low carbon innovation in relation to energy efficiency within enterprises, including through technologies and engagement practices; and • Building retrofit and energy efficiency measures, especially whole building solutions to exemplify, and support the commercialisation of next phase technologies which are near to market, and low carbon construction techniques to improve the energy efficiency of buildings.
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Investment priority	4c – Supporting energy efficiency, smart energy management and renewable energy use in public infrastructure, including in public buildings, and in the housing sector.
Specific objectives	Increase the energy efficiency of homes and public buildings, through the implementation of low carbon technologies.
Indicative actions	<p>Under this investment priority indicative actions to be supported by European Regional Development Fund may include:</p> <ul style="list-style-type: none"> • Provision of advice and support to increase the use and take up of low carbon technologies, energy efficiency measures, renewable energy technologies

	<p>and smart energy systems in housing stock and public buildings;</p> <ul style="list-style-type: none"> • Supporting low carbon innovation in relation to the integrated ‘whole place’ energy management approach including energy waste and re-use; • Standard retrofit can be an eligible part of a project when used in conjunction with innovative technology or as part of a whole place approach which can include the way combined retrofit technologies are used to deliver the whole place approach; • Investing in building retrofit, energy efficiency measures, renewable and smart energy systems deployment, especially whole building or place solutions exemplifying next phase technologies which are near to market; • Investing in domestic energy efficiency, renewable energy and smart construction techniques; and • Investment in the development and wider use of Energy Performance Contracting in the public buildings and housing sectors.
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<p>Investment priority</p>	<p>4e – Promoting low-carbon strategies for all types of territories, in particular for urban areas, including the promotion of sustainable multimodal urban mobility and mitigation-relevant adaptation measures.</p>
<p>Specific objectives</p>	<p>Increase implementation of whole place low carbon solutions and decentralised energy measures.</p>

Indicative actions

Activity under this investment priority will be complementary to, and work alongside, activity under investment priority 4(a). Activity under this investment priority is based on a holistic approach to the reduction of greenhouse gas emissions, ensuring that actions are integrated within the framework of an overarching strategy or strategies.

In order to promote such strategies, examples of actions to be supported by European Regional Development Fund may include:

- Investments in local/regional smart grid demonstration projects, including validation and solving system integration issues;
- Sustainable energy action plans for urban areas, including public lighting systems, smart metering and distribution through smart grids;
- Investments in combined heat and power from renewable sources; and
- Investments to encourage the adoption of renewable technologies.

A strategic approach is particularly important in the area of low carbon transport, whether for sustainable urban mobility, or improving links between urban and rural areas, or connecting dispersed rural communities. Examples of actions include:

- Investments in actions aimed at improving the capacity at local level to develop and implement integrated and sustainable transport strategies and plans (including for example actions related to modelling data collection, integrated transport management, operations and services, public consultation etc) to reduce transport related air pollution, in particular retrofit or replacement programmes for bus fleets, incentive schemes for cleaner transport, improved public transport infrastructure and alternative forms of transport;
- Investments in actions aimed at introducing innovative environmentally-friendly and low-carbon technologies (for example, alternative fuel stations or charging points);
- Investments in actions aimed at developing innovative and multi-modal transport services (for example, intelligent transport systems for travel information and planning, traffic and demand management, smart

	<p>ticketing, multimodal integrated datasets or cooperative systems);</p> <ul style="list-style-type: none"> • Innovative transport pricing and user charging systems; • Cycle paths, walkways and waterways only where part of an integrated approach to greenhouse gas reductions; and • The strategic use of green and blue infrastructure can form a significant part of a proposal to support the delivery of city cooling in urban areas.
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Investment priority	4f – Promoting research and innovation in, and adoption of, low-carbon technologies.
Specific objectives	Increase innovation in, and adoption of, low carbon technologies.
Indicative actions	<p>Under this investment priority indicative actions to be supported by European Regional Development Fund may include:</p> <ul style="list-style-type: none"> • Research and development, innovation and supply chain work for low carbon technologies and materials, including; wave and wind energy, smart grids, distributed generation, solar and photovoltaics, heat networks, heat pumps and low carbon heat for energy intensive industries; • Research underpinning carbon capture and storage, taking account of the restrictions laid down in Article 3.3.b of the European Regional Development Fund; • Technology centres of excellence and test facilities, including relevant catapult centres; • Renewable technologies in the United Kingdom renewable energy roadmap; • Research, development, demonstration and adoption of technologies and systems that support low-energy transport and accelerate the establishment of new

	<p>technologies such as low emissions vehicles (electric, hybrid and hydrogen);</p> <ul style="list-style-type: none"> • Knowledge transfer with higher education / further education institutions and businesses; • Supporting low carbon tech start-ups and greater commercialisation of low carbon products and processes; • Developing financing methods that encourage the adoption of proven low carbon technologies and generate long-term financial savings; • Demonstration and deployment of decentralised renewable energy technologies; and • Research, development and innovation and supply chain development for low carbon and resource efficient technologies and materials (including small scale pilot programmes that test the market with new low carbon solutions and the use of secondary materials).
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<p>Investment Priority</p>	<p>5b – Promoting investment to address specific risks, ensuring disaster resilience and developing disaster management systems.</p>
<p>Specific Objectives</p>	<p>Enabling and protecting economic development potential through investment in flood and coastal flooding management where there is demonstrable market failure.</p>
<p>Indicative Actions</p>	<p>England has a particular vulnerability to extreme weather, climate change and flood and coastal risk because it has areas of high population and economic density that are exposed to the increasingly dynamic impacts of North Atlantic low pressure systems.</p> <p>The specific objective is to target investment of European Regional Development Fund into measures that safeguard and enable sustainable economic growth in these contexts. It will help ensure that ‘at risk’ communities, businesses and their local economy can adapt. As a result they will be</p>

	<p>able to contribute to and benefit from sustainable local economic growth</p> <p>European Regional Development Fund, along with European Agricultural Fund for Rural Development where relevant, will be used to complement the UK Government's Flood and Coastal Risk Management Grant in Aid and other domestic investment, as per the Flood and Coastal Resilience Partnership Funding Policy. This will help to achieve viability for schemes that have a high potential economic development and growth value but that have relatively low eligibility to domestic flood and coastal resilience funding which focuses more on residential properties.</p> <p>Flood mitigation measures will support the protection of major employment areas and Small and Medium Sized Enterprises and unlock derelict, underused or neglected land on strategically important sites/areas identified as central to realising growth aspirations. This will include incorporation of flood risk management and river restoration into the design and lay outs of employment sites and surrounding areas, so that flood risk and surface water management is actively addressed in a sustainable way such as through Green and Blue infrastructure.</p> <p>Flood mitigation and associated environmental measures will also aim to bring back into use, in a sustainable way (such as through green and blue infrastructure), dormant land identified as strategically important for business growth and employment and in need of remediation.</p> <p>Investment under this Priority Axis is being targeted into areas of the East coast, North West & South West of England, where exposure to flood and coastal risk, the impacts of climate change and related constraints on economic growth are most significant.</p> <p>The focus will be on sections of coasts and rivers that are most susceptible to these risks, identified as priorities for sustainable economic growth and where European Regional Development Fund investment can be matched and aligned with other sources to make appropriate risk management actions affordable.</p>
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Along the East Coast priority areas will be; the Tees the Team Valleys; the Northumbrian and Yorkshire Coasts; the River Aire and Calder; the Humber Estuary; the Lower Derwent (Derby); the Lincolnshire Coast; and the Norfolk Coast. In the North West the focus will be on addressing coastal and fluvial constraints to towns with growth opportunities in Cumbria and Lancashire. In Cornwall and the South West, it will help to address coastal and flood risks to settlements with the greatest sustainable development potential.

- Actions, specific to the needs and circumstances of the prioritised locations, will be both “hard and soft” and determined via an options appraisal process. The types of actions and their estimated proportions of them can be broken down into three headings: coastal resilience, fluvial risk management and surface water run-off and drainage systems. In many contexts it will require a combination of measures to address an interaction of sources of risks to deliver the specific objective.

Coastal resilience

- managed realignment and mitigation of coastal squeeze
- shoreline re-nourishment and cliff and dune system stabilisation
- harbour, port and waterfront enhanced protection and adaptations. These investments are not linked to transport
- improvements to coastal frontages and seawalls
- strengthening and extending of estuary embankments

Fluvial risk management

- onsite or upstream attenuation and slowing the flow

	<p>measures</p> <ul style="list-style-type: none"> • diversion channels • raising strengthening and/or extending river walls and frontages • fixed and temporary barriers and gates • stepped back embankments • resilience measures for business infrastructure, including for example wet or dry flood-proofing • river restoration and improved conveyance measures <p><u>Surface water run-off and drainage systems</u></p> <ul style="list-style-type: none"> • integration, including retrofitting, of surface water and run off management measures into urban and commercial redevelopments • innovative measures in contexts where flood risk and land management relies on pumping and inter-relates with drainage <p>Across all three, there may be actions to promote knowledge transfer and exchange of information relating to adaptations to climate change, risk management and resilience.</p>
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4. Required Outputs under this Call

Applicants will need to demonstrate how the eligible activity, funded by the European Regional Development Fund will achieve the programme-level outputs for **Priority Axis 4 and Priority Axis 5**.

For projects proposing to deliver activity against more than one priority axis or more than one investment priority within a single priority axis, all appropriate outputs should be selected. Outputs should not be selected if funding is not being requested under the relevant investment priority. If approved projects will be required to report on, and evidence, eligible expenditure separately under each priority axis and the achievement of the outputs separately under each investment priority.

For projects coming forward under this call the expected outputs and results are:

Investment Priority 4a	
Output reference	Name
C1	Number of enterprises receiving support
C5	Number of new Enterprises supported
C30	Additional capacity for renewable energy production
C34	Estimated annual decrease of GHG

Investment Priority 4b	
Output reference	Name
C1	Number of enterprises receiving support
C34	Estimated annual decrease of GHG

Investment Priority 4c	
Output reference	Name
C31	Number of households with improved energy consumption
C32	Decrease of annual primary energy consumption of public buildings
C34	Estimated annual decrease of GHG

Investment Priority 4e	
Output reference	Name
C1	Number of enterprises receiving support
C34	Estimated annual decrease of GHG

Investment Priority 4f	
Output reference	Name
C1	Number of enterprises receiving support

C5	Number of new Enterprises supported
C26	Number of enterprises cooperating with research entities
C29	Number of enterprises supported to introduce new to the firm products
C34	Estimated annual decrease of GHG

Investment Priority 5b	
Output reference	Name
C23	Surface of habitats supported to attain better conservation status
P6	Businesses and properties with reduced flood risk

The managing authority expects the level of outputs proposed within outline applications to be realistic and achievable and to deliver good value for money. The application should clearly state the methodology used to determine the levels of outputs proposed.

Projects will only be supported if they demonstrate good value for money. An important consideration when assessing value for money is the level of European Regional Development Fund outputs that the project would deliver.

The managing authority has not set specific output targets for this Call and does not publish average or expected unit costs.

[The local European Structural and Investment Fund strategy](#) for the local enterprise partnership area and the [North East Sustainable Urban Development strategy](#) include details of the local, notional European Regional Development Fund allocation to each priority axis and the type and number of European Regional Development Fund outputs that are expected in return for this investment.

All operations will be required to report regularly on progress toward achievement of targets. This will need to include both quantitative and qualitative data relevant to the appropriate geographical areas. Applicants will need to explain how they will collect and record this information to maintain a fully evidenced audit trail. It should be noted that if an operation fails to deliver contracted outputs, a performance penalty may apply.

5. Application Process and Prioritisation Methodology

There are two stages to the European Regional Development Fund application process:

- (i) Outline application and, if successful; and
- (ii) Full application.

Acceptance of an outline application to progress to full application stage does not in any way indicate or constitute an offer of European Regional Development Fund grant.

Applicants must fully complete the [outline application](#) which will be assessed against the national [selection criteria](#). The intermediate body will undertake the assessment against the selection criteria in relation to fit with local priorities.

If a multiple priority axes call:

Applicants submitting applications for projects seeking support from more than priority axis should note that:

- The project will be assessed against the requirements of all of the priority axis from which funding is requested;
- The application must demonstrate how the project would address the requirements of each of the priority axis from which funding is requested;
- Projects seeking funding from more than one priority axis may add an additional 100 words to sections 2.6 and 3 of the outline application for the second and each subsequent priority axis from which funding is sought;
- The outline application financial table's annexe must clearly identify the percentage of expenditure allocated to each priority axis. Section 6.5 of the outline application should be used to clarify the allocation of costs between priority axis and investment priorities.
- Section 8 of the outline application should be used to clarify the number of outputs shown in the application deliverables annexe associated with each priority axis.

Outline applications will be assessed in two stages, Gateway assessment and Core assessment.

The Gateway assessment is undertaken by the Managing Authorities and considers:

- Applicant eligibility;
- Activity and expenditure eligibility; and
- Fit with the National operational programme and the local development need set out in section 2.

Applications that fail the Gateway assessment undertaken by the Managing authority will be rejected.

Applications which pass the Gateway assessment will then be assessed by the intermediate body and Managing authority in relation to all Core assessment criteria.

The intermediate body will assess the application against the following Core assessment criteria:

- Local strategic fit

The managing authority will assess the application against the following Core assessment criteria:¹¹

- National strategic fit;
- Value for money;
- Management and control;
- Deliverability;
- Compliance; and
 - Procurement
 - State Aid
 - Publicity requirements
- Cross cutting themes
 - Environmental sustainability
 - Equal opportunities

The intermediate body will also provide advice to the managing authority to assist the managing authority to make its assessment against the following Core selection criteria:

- Value for money; and
- Deliverability.

Having assessed projects against these criteria the relevant local enterprise partnership area European Structural and Investment Funds Sustainable Urban Development sub-committee will advise the intermediate body on the contribution to local economic growth conditions and opportunities within the context of the operational programme and local European Structural and Investment Funds strategy.

Having concluded their assessments the managing authority and the intermediate body will prioritise the applications they wish to proceed based on their assessment against their respective selection criteria. Only projects that the managing authority and the intermediate body each agree should proceed, based on their respective core selection criteria, will be invited to submit a full application. Subsequently only

those full applications that the managing authority and the intermediate body each agree should proceed, based on their respective selection criteria, will be approved.

Please note that the managing authority's decision is final and there are no appeals. If you wish to complain about the calls and application process, please follow the procedure set out at <https://www.gov.uk/government/organisations/department-for-communities-and-local-government/about/complaints-procedure>.

Potential applicants / applicants may wish to take advantage of information and support services funded through European Regional Development Fund Technical Assistance and available to assist the design and development of compliant projects / applications for the European Regional Development Fund. Details of your local Technical Assistance funded project can be found on the LEP website: <http://www.nelep.co.uk/funding/european-funding/> or [Technical Assistance website page](#).

6. General Information

6.1. National Eligibility Rules

When developing an application, Applicants must refer to the [National Eligibility Rules](#) setting out the requirements of the 2014 to 2020 European Regional Development Fund programme. It is the responsibility of the applicant to ensure that the National Eligibility Rules are adhered to both at application stage and following approval. Failure to do so can lead to financial penalties leading to recovery of up to 100% of the grant value. If in doubt on any of the requirements, applicants are strongly advised to seek specialist advice.

European Regional Development Fund eligibility rules apply to **all** project spend within the eligible costs, including match funding.

The European Regional Development Fund is governed by European regulations and national rules. Applicants are advised to familiarise themselves with the relevant documentation, (section 8 Key Document refers) prior to submitting an outline application. If successful at the full application stage, applicants will enter into [a Funding agreement](#) and must abide by the standard terms and conditions contained therein. Once a Funding agreement has been issued it should be signed and returned within 30 days, unless otherwise agreed with the managing authority. Applicants are therefore strongly advised to read these terms and conditions to ensure that they are able to enter into such an agreement prior to responding to the call.

6.2. Eligible applicants

Section 4 of the [National Eligibility Rules](#) sets out who is eligible to apply. Financial Due Diligence checks will be undertaken on non-public sector applicants that are successful at the outline application stage. Checks will be carried out following notification of a successful outline application and may exclude applicants from further consideration. These checks will include assessment of the applicant's financial standing including ability to deal with cost overruns, the ability to cash flow a project in arrears and absorb a financial irregularity.

Applicants must be legally constituted at the point of signing a Funding agreement. If the application is approved the applicant organisation will enter into a legally binding Funding agreement and therefore will carry the liability for ensuring that the terms and conditions of the Funding agreement are met.

If there is more than one organisation applying for the funds, a lead organisation must be selected to become the applicant (and grant recipient) with the remaining organisation(s) acting as delivery partner(s). In this situation the applicant would be responsible and liable for the delivery partner(s) and ensuring the project is operating compliantly.

During the application process the managing authority will consider the applicant's track record, both positive and negative. If the applicant has been involved in the delivery of previous European grants and any irregularities have been identified, the managing authority will expect to see what steps have been taken to ensure that the risk of further irregularities in the future is mitigated. It is acknowledged that some organisations will be new to European Structural and Investment Funds funding and will not have a track record.

6.3. Contribution rate and match funding

European Regional Development Fund investment must not be used to replace existing funding sources. European Regional Development Fund investment must enable activity to take place that would not otherwise happen or to increase the scope, scale or intensity of activity. The level of European Regional Development Fund awarded will be the minimum in order for the project to proceed

The maximum contribution rate is 50% of the total eligible project costs subject to State Aid regulations.

The remaining 50% or more must come from other eligible sources as specified under section 6 of the National Eligibility Rules. During the application process applicants will need to satisfy the managing authority that they have, or are able to put in place eligible match funding for the balance of costs. Other EU funds cannot be used as a source of match funding.

European Regional Development Fund investment is limited by State Aid regulations and where the award of European Regional Development Fund would constitute State Aid the European Regional Development Fund grant rate may fall below the 50% maximum.

European Regional Development Fund is paid quarterly in arrears and expenditure must be defrayed prior to the submission of any grant claims. Applicants may be asked to demonstrate how they are able to cash flow the operation.

6.4. Project timescales

European Regional Development Fund funding will normally be approved for three years; however the managing authority reserves the right to extend the contract term in exceptional circumstances.

Projects approved through this call will normally be expected to:

- Submit a detailed and complete full application within three months of formal selection at outline stage. Projects which fail to meet this deadline may be deselected;
- Commence delivery (defraying European Regional Development Fund eligible costs) within three months of formal approval. Projects which fail to meet this deadline may be deselected; and
- Be closed by June 2023.

6.5. Capital projects

In developing the budget for the outline application, applicants seeking European Regional Development Fund to support a capital project should note that:

- New build projects will normally be expected to achieve the Building Research Establishment Environmental Assessment Method (BREEAM) rating of 'excellent'; however BREEAM 'very good' will be accepted where this is the maximum feasible standard;
- Refurbishment projects will normally be expected to achieve the BREEAM rating of 'Very Good'; and
- Infrastructure projects will normally be expected to achieve the Civil Engineering Environmental Quality Assessment rating of 'Very Good'.

6.6. Cross Cutting Themes / Horizontal Principles

All applications selected as a result of this call will be required to demonstrate how the Cross Cutting Themes have been addressed in the project design and development. Cross Cutting Themes for European Regional Development Fund are 'equality and anti-discrimination' and 'sustainable development'. Further information

is available in section 11 of the [European Regional Development Fund operational programme](#).

Projects seeking funding under Priority Axis 4 with the objective of reducing Greenhouse Gas must have a transparent methodology for calculating and monitoring emissions, with actual and auditable GHG reductions in line with the Climate Change Act 2008.

6.7. Additionality, duplication and displacement

Additionality is a core principle of European Regional Development Funding. Applicants must be able to demonstrate that the activity paid for out of European Regional Development Funding adds value to new or existing activity.

European Regional Development Funding cannot support activities that duplicate existing provision / services within the region.

Applications need to identify and evidence how the beneficiaries will use the service and demonstrate that the project does not displace other activity available in the market place.

6.8. State Aid and revenue generation

Applicants are required, in the outline application, to provide a view on how their proposal complies with State Aid law. Applicants must ensure that projects comply with the law on State Aid. Grant funding to any economic undertaking which is State Aid can only be awarded if it is compatible aid, in that it complies with the terms of a notified scheme under the General Block Exemption Regulation (EU) 651/2014.

Only if this is not possible should applicants use the De minimis Regulation or 'no aid'. [Guidance for Grant Recipients](#), explaining more about State Aid, is available; it is important that Applicants take responsibility for understanding the importance of the State Aid rules and securing their full compliance with them throughout the project, if it is selected into the programme.

The managing authority is not able to give legal advice on State Aid. It is the responsibility of the applicant to ensure that the operation is State Aid compliant.

6.9. Procurement

All costs claimed by the applicant (grant recipient and / or delivery partner(s)) must be recovered on an actual cost basis. Other costs must be procured in line with National (including [Public Procurement Regulation 2015](#)) and EU regulations. Procurement will be subject to audit and verification and any irregularity will result in a financial penalty of up to 100% of the grant paid. Robust and transparent procurement is required to ensure that grant recipients:

- Consider value for money;

- Maximise efficient use of public money; and
- Maintain competitiveness and fairness across the EU.

It is **strongly recommended** that applicants seek and follow legal advice in respect of procurement requirements. Procurement irregularities remain the most substantive cause of error and clawback of grants.

7. Support

Please note that this is a competitive call and to preserve impartiality the managing authority and, where appropriate, staff from the intermediate body involved in the assessment process are unable to enter into correspondence with applicants over their outline application. Details of where guidance can be found are contained throughout this call document. In exceptional circumstances, if there are issues with accessing this guidance, please contact:

NE.ERDFENQUIRIES@communities.gsi.gov.uk

8. Key Documents

- European Regional Development Fund operational programme;
- Outline application form;
- Outline application form guidance;
- Local enterprise partnership area's European Structural and Investment Funds strategy;
- Sustainable Urban Development Strategy for the North East;
- Eligibility guidance;
- Output definitions; and
- Funding agreement (revenue and / or capital).

9. Document Checklist

Incomplete applications will be rejected. Please ensure the following information (documents) are submitted.

Outline stage:

- Fully completed outline application;

- Financial tables; and
- Outputs and indicators tables.

10. Document Submission

Completed outline applications must be submitted via **email** to the address in section 7.

Outline application forms not received by the deadline will not be assessed. Outline applications which are not fully completed will be excluded.

For this call applications will normally be required to **commence delivery/activity within three** months of the award of a Funding agreement.

Any changes related to the deadline for the submission of the outline application form will be notified on the [European Growth Funding](#) website pages.