



South East Midlands EU 2014-20 Programme

European Structural and Investment Fund Strategy

Final draft – 30th May 2014

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Foreword

South East Midlands Local Enterprise Partnership (SEMLEP) is pleased to enclose the final draft of the European Structural and Investment Funds strategy (ESIF) and indicative programme allocations profiling our requests for match funding 'opt-ins'.

We are confident that the strategy is robust, based on an evidenced analysis of the socio-economic and environmental conditions of the South East Midlands area, and is fully compliant with EU, national and local aspirations for the 2014-20 programming period.

Our ESIF forms a key funding component to drive the SEMLEP's aspiration for growth up to 2020 as set out in our Strategic Economic Plan, 'In Pursuit of Growth'.

In partnership, SEMLEP galvanises private and public leadership across the South East Midlands working collaboratively with a diverse set of partners that include Northamptonshire, Oxfordshire and Bucks Thames Valley LEPS, which share a number of areas of mutual interest and opportunity.

Specifically, we have consulted widely and have held a number of stakeholder events across contrasting parts of our diverse area, from Aylesbury and Bedford to Luton and Kettering. Several hundred people from a wide range of organisations have participated in such events in the last two weeks alone.

Additional electronic consultations through our website have ensured an inclusive and open process, managed under the auspices of our specific EU sub-group. A key feature of the consultations has been a collective view that we can do more with additional funding, over and above our indicative allocation.

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Chair,

South East Midlands Local Enterprise Partnership (SEMLEP)

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Chief Executive, SEMLEP

Note to readers-This version of the strategy has been significantly revised since the January 2014 submission. These revisions respond to feedback from government. In addition a log is attached of the questions and our responses.

Executive summary

Introduction

Over the period 2014 to 2020, the South East Midlands Local Enterprise Partnership (SEMLEP) area is set to receive support under the more developed region strand of the European Structural and Investment Funds (ESIF). **The South East Midlands area has a notional allocation of European funding of approximately £79.5m (€93.2m) from the new EU 2014-20 programme**, combining three areas of funding into one overall investment plan namely European Regional Development Fund (ERDF), European Social Fund (ESF) and European Agricultural Fund for Rural Development (EAFRD) funds.

Funds are distributed as follows:

	€	£	Exchange rate
ERDF	43,950,000	£37,630,000	€1=£0.85620
ESF	43,950,000	£37,630,000	€1=£0.85620
EAFRD	5,345,100	£4.280,000	€1=£0.80069
TOTAL	93,245,100	£79,540,000	-

The SEMLEP ESIF is the result of extensive consultation with local authorities, civil society organisations, business associations (such as the Chamber of Commerce and Federation of Small Businesses), the Business Board, Higher and Further Education Institutions, rural and environmental representative groups, Leader groups, opt-in partners and neighbouring LEPs (Northamptonshire, Oxfordshire and Bucks Thames Valley LEPs) which share a number of areas of mutual interest and opportunity.

Our ESIF forms a key funding component to drive the SEMLEP's aspiration for growth up to 2020 as set out in our Strategic Economic Plan, 'In Pursuit of Growth' and has been formulated to reflect national strategy, such as the government's Plan for Growth and Industrial Strategy and be consistent with EU regulations that set out requirements for expenditure within specific thematic objectives.

Vision

The South East Midlands is well placed to take the lead on delivering our ambitions for 111,200 new jobs and increasing GVA by £10.8bn by 2020/21. Our economy is strong, fast growing and diverse, but we are determined to ensure that the full potential of the whole area is realised for all.

The overall vision for the SEMLEP EU 2014-20 Programme is based on that of the LEP's Strategic Economic Plan 'In Pursuit of Growth' vision and strategic priorities.

Vision

To reinforce and develop the South East Midlands as one of the most innovative, successful and high performing economies in England by 2020.

The ESIF Strategy is a vital part of this delivery to ratchet up the delivery volume of sustainable high quality employment opportunities through meeting our business and workforce needs through innovative and close partnership working across our communities.

The ESIF resources will contribute to achieving the following SEP vision by delivering the impacts over the period up to 2020.

- creating in the region of 3,000 jobs;
- supporting over 5,800 new and existing businesses; and
- assisting over 37,000 individuals to access employment, training or other support.

The case for European funding in the South East Midlands

The strength of the South East Midlands (SEM) economy lies in its diversity of wealth creating activities, an excellent strategic location at the heart of England, and a proven history of substantive economic performance and growth. SEM is a dynamic, entrepreneurial area and a designated national growth zone, with a £39bn economy that has delivered employment and housing growth at a faster rate than national economy over the last decade. Growth is predicted to continue over the coming years with recent analysis by Experian showing that the SEM has the greatest concentration in the UK of areas rated as having strong prospects for economic growth. Milton Keynes, Aylesbury Vale and Luton all feature in the top ten UK areas for predicted output and employment growth over the 2013-17 period. As a key communications hub for the UK with assets such as London Luton Airport, major motorways and freight terminals such as Daventry International, the area gains from real competitive advantages in relation to transport connectivity. Combined with the availability of a rapidly growing and well qualified labour force and low property costs, this means that the South East Midlands is a perfect location for businesses to grow and flourish.

The South East Midlands is dynamic, entrepreneurial area with a strong heritage of innovation. Self-employment levels are above the national average, it is the highest ranking LEP for enterprises surviving one year and the area is the home to advanced technology clusters, including automotive and the iconic Silverstone. The Nissan Technical Centre and Millbrook Proving Ground in Central Bedfordshire and the Open University's pioneering work in information technology demonstrate this capability. The areas growing social enterprise sector offers potential to play a significant role in plans for growth and investment that will maximise both UK and EU funding opportunities.

The area also benefits from having a number of prestigious and diverse universities, including the Open University and the University of Cranfield, which is internationally renowned within its field of post graduate education in engineering and business studies. It is also the home to many leading global businesses (for example, Nissan Technical, Lockheed Martin, Jungheinrich, Selex Galileo, Mondelez, Unilever, St Andrews, AstraZeneca, Movianto, Jordans/Ryvita, Carlsberg, Vinci, Kier, General Motors, and Cinram.) working in diverse fields with considerable latent potential for growth within the key sectors identified within the BIS Industrial Strategy including, advanced manufacturing, automotive and aerospace, business services, food manufacturing, life sciences, and the creative industries. There also nine Further Education Colleges, one sixth form college and four new University Technical Colleges, including one located at Silverstone, the home of F1 racing.

The rural/urban balance and the importance of agricultural and food manufacturing and production to the South East Midlands provides much of the economic context in which the partner authorities and businesses operate. The SEM also has numerous cultural assets including theatres, art galleries and museums and a natural environment that forms a key strategic asset for the area (e.g. urban green networks in Milton Keynes, Greensand Ridge, Rockingham Forest and the Chilterns), underpinning the economy, attracting businesses, investment and tourism and recreation space for healthy and productive communities.

Despite these evident strengths in the SEM economy, the area is one of contrasts and mixed abilities.

Although the SEM area has weathered the economic downturn better than some other areas, with higher employment than UK and EU27 averages, there are some significant variations across the LEP area, particularly in relation to the annual average earnings, the claimant unemployment rate, challenges facing rural areas, GVA performance, educational attainment and skills performance. Pockets of deprivation persist with 29.3% of Corby's population, 26% of Luton's and 20.3% of Northampton's living in the most deprived areas of England compared to very low levels in South Northamptonshire (0.0%), Aylesbury Vale (0.0%) and Central Beds (2.1%). Unemployment rates in the SEM vary substantially in terms of age, gender, disability and ethnicity nationally and in South East Midlands. For example the number of females of working age (16-64) unemployed has more than doubled in numbers since June 2008 and has increased at a faster rate compared to male unemployment rate. Levels of worklessness are continuing to rise whilst for young people, employment levels are amongst the highest of all LEPs.

Not all SMEs across the SEM are fulfilling their growth potential by failing to overcome barriers relating to access to finance, leadership and management skills and entrance to new markets (including exports). Disparity in business start-up rates are also evident by registrations per 10,000 inhabitants and it is also apparent that the area significantly underperforms in overall levels of innovation, in terms of the area's share of employment in high and medium technology firms and also in the number of patents registered. There is real need, but also significant potential, to increase the economic output per head of the area, which in 2011

was below the national average and reinforces the requirement to aspire to at least meet peer group performances.

The South East Midlands needs to build on an already reasonable strong skills base in order to meet the full range of current and future business and employment needs and address discrepancies in performance across the geographical area. For example, Bedford has 42% of the population qualified at level 4 and above, above the national average of 34.2%, whereas Corby has 14.2%. It is also crucial to tackle the recruitment and retention issues raised by employers. Much of the educational infrastructure is in place to support the up-skilling of the existing and future workforce in a number of key sectors. However, businesses are still reporting skills shortages (including leadership and management as well as technical and basic skills) when recruiting outside their organisations and skills gaps within their existing workforce, with challenges facing a number of the area's key growth sectors, including advanced manufacturing and engineering.

Some key infrastructure, particularly next generation broadband, in many areas requires substantive upgrade. There is also a significant danger that the large public and private investments in broadband infrastructure will not be optimised in terms of supporting growth without business and skills support intervention. Digital Inclusion particularly in relation to low income families and some women returners is becoming a real issue. School age educational achievement, availability of affordable housing, crime rates, access to services, commercial property and environment are also all key challenges facing the area.

Addressing these challenges provides tangible opportunities to raise the overall performance of the South East Midlands and national economy.

SEMLEP ESIF investment priorities

SEMLEP partners have agreed the following six investment priorities for the ESIF Strategy:

- Priority 1: Strengthening and exploiting SEMLEP's innovation and knowledge assets
- Priority 2: Stimulating enterprise and enhancing the competitiveness of SMEs in target sectors/markets
- Priority 3: Developing a low carbon economy
- Priority 4: Infrastructure for Growth
- Priority 5: Developing a skilled and adaptable workforce
- Priority 6: Tackling social and economic exclusion

Priority	ERDF	ESF	EAFRD	Total (£m)
1. Strengthening & exploiting innovation & knowledge assets	£9,500,000	£0	£540,000	£10,040,000
2. Stimulating enterprise	£16,655,000	£1,630,000	£2,130,000	£20,415,000
3. Low carbon economy	£6,250,000	£0	£540,000	£6,790,000
4. Infrastructure for growth	£5,225,000	£0	£1,070,000	£6,295,000
5. Developing a skilled and flexible workforce	£0	£26,000,000	£0	£26,000,000
6. Tackling social and economic exclusion	£0	£10,000,000	£0	£10,000,000
Total	£37,630,000	£37,630,000	£4,280,000	£79,540,000

The six priorities cover the whole area of the South East Midlands – urban and rural (apart from EAFRD intervention which is for rural area only) - any targeting of specific sectors, priority groups and geographical areas will be based on well evidenced needs.

Priority 1: Strengthening and exploiting SEM's innovation and knowledge assets

Priority aims: To fully exploit the SEM's knowledge base in Higher and Further Education Institutes and private sector firms by providing the right environment and conditions for business to locate, cluster and innovate through knowledge and technology transfer.

Priority 1 Programme Activity Areas are:

- *1.1 South East Midlands Growth and Innovation Programme:* will deliver activities that aim to exploit the strengths and opportunities within the existing R&D and science base of the South East Midlands economy, especially the area's Higher Education sector that can be adopted by local firms across the area to facilitate their growth in new and emerging markets.
- *1.2 ICT & Digital Exploitation Programme:* aims to ensure that local businesses and communities can benefit from digital technological changes and market opportunities. A key focus of the programme will be on demand stimulation and the exploiting of new and emerging digital technologies rather than investment in the 'hard-wiring' to connect communities to broadband infrastructure.
- *1.3 Low Carbon and Technology Innovation Support Programme:* aims to accelerate the commercialisation and adoption of new and emerging low carbon and green technologies. This could include: support for businesses to engage in knowledge/technology transfer with HEIs and FEIs to encourage commercialisation of Low Carbon technologies and R&D; activities to assist the market to develop, design and manufacture materials, goods and services with embedded low carbon technologies; and the deployment of local energy storage and waste to energy projects.

Priority 2: Stimulating enterprise and enhancing the competitiveness of SMEs in target sectors and markets

Priority aims: To support entrepreneurship, business development, targeted inward investment and fund financial initiatives to help improve competitiveness and growth. This will include pre-business start-up and start up support provision and embedding national business support products, such as Manufacturing Advisory Service, Growth Accelerator and UKTI.

Priority 2 Programme Activity Areas are:

- *2.1: South East Midlands Growth Hub 'Velocity':* a specialist on-line business growth support service providing access to a tailored and co-ordinated package of diagnostic, advisory and coaching and mentoring services to accelerate the creation and growth of sustainable growth ventures.
- *2.2: South East Midlands Entrepreneurship and Business Support Programme:* that will support business interventions (including pre-start-up and start-up programmes) to stimulate the creation and growth of new businesses, including knowledge based businesses, social enterprises and rural enterprises.
- *2.3: South East Midlands Finance for business programme:* an innovative pan-LEP response to support the creation, development and sustainability of SMEs by targeting a well-documented access to finance barrier to unlock growth aspirations and generate sustainable employment. The programme will be delivered in partnership with the Northamptonshire, Leicester and Leicestershire, D2N2 and Greater Lincolnshire LEPs.

Priority 3: Delivering a Low Carbon Economy

Priority aims: To build the market in low carbon environmental goods and services, non-domestic sector deployment of low carbon technologies, whole place low carbon solutions and low carbon innovation. The priority also aims to promote eco-efficiencies and innovation across all business growth activities.

Priority 3 Programme Activity Areas are:

- *3.1: Low Carbon Resource & Energy Efficiency Programme:* aims to promote greater energy and resource efficiency in the use of resources (energy, water, materials, 'carbon neutral housing'). This could include a combination of business reviews, practical advice, awareness-raising activities, tailored on-site support (including on-going help with implementing improvements), information services and advice, all focused on creating cultural change throughout the entire business workforce and increasing business profitability and reducing carbon emissions.

- *3.2: Social Housing Retrofit Programme:* aims to support energy conservation and generation in existing social housing. Match funding would be provided from a combination of sources including local authority budgets and working with energy suppliers to make use of their commitments to government targets.

Priority 4: Infrastructure for Growth

Priority aims: To provide the conditions which will support the SEMLEPs aspirations for sustainable economic growth, through developing infrastructure in particular fit for purpose business premises and sites and continued improvements to the natural environment, given its importance in attracting new businesses and employment to the area.

Priority 4 Programme Activity Areas are:

- *4.1: Buildings for Growth Programme:* will focus on providing businesses with access to high quality business premises including enterprise/incubation centres/facilities and services, and next step accommodation. Funding (either as a grant or loan) could be used for new developments (for example, bringing forward well located sites for development, which may have stalled for a variety of different reasons and funding / finance is required to bring them to a developable standard) or bringing existing buildings and facilities into productive use.
- *4.2: Enhancing Local Infrastructure & Environments:* a programme of green infrastructure interventions targeted in areas to open up land for development, reduce flood risk, (for example, the rehabilitation of land and regeneration of brownfield sites). This could also include schemes to increase public access to and use of the countryside for recreation, walking, cycling, equestrian activities, plus visitor attractions and support for the appropriate economic use of listed buildings in conservation areas as attractive locations for arts and crafts and other productive activities.

Priority 5: Developing Skilled and Adaptable Workforce

Priority aims: To support activities to develop high-level and mid-tier technical skills to fulfil needs of key sector SMEs; and support projects to train people who do not have basic skills and qualifications needed in the workplace, as well as raise the skill levels of those currently low skilled.

Priority 5 Programme Activity Areas are:

- *5.1: High Level Skills for Key Sectors:* aims to deliver a range of high level skills interventions, with a particular focus on SMEs in order to address the current skills shortages and gaps and meeting future demands in the South East Midlands' key economic sectors. This will include targeted sector based skills initiatives; high level skills provision and apprenticeships; leadership and management development, actions promoting careers opportunities, employment search support for professional and executives and schemes targeted at developing better links between business and educators.
- *5.2: Basic Skills and Employment Programme:* will deliver a range of interventions such as supporting workplace training and the provision of redundancy support with close alignment to Priority 2. Emphasis will be placed on work based learning or learning with strong links to employers and sectors (recognising that learning with employment experience is far more successful than simply training on its own). Activities could include, information, advice and guidance, pre-entry provision, digital literacy, tackling the skills issues facing the over 40s age group, work experience and taster sessions, in work support and mentoring, support for young enterprise and community grant initiatives.

Priority 6: Tackling Social and Economic Exclusion

Priority aims: To ensure that economic successes and growth opportunities are shared and that economic and social exclusion is tackled. The priority, in conjunction with other priorities is focused on creating employment which is accessible to disadvantaged areas and to help residents in these areas access economic opportunities as employees or in self-employment.

Priority 6 Programme Activity Areas are:

- *6.1: South East Midlands Social Inclusion Programme:* informed by the SEMLEPs Social Inclusion Strategy (see Annex 5) this programme will be in the form of a two part social inclusion programme (part BIG, part local), with a focus on reducing disparities in inner urban and rural areas. This programme is likely to include a range of activities, including neighbourhood employment initiatives, mentoring and coaching of young people, social access to finance, wheels to work style initiatives, access to financial

capability training and money management advice, capacity building of local businesses, VCS organisations and social enterprises to ensure that organisations are business ready, rural access to services- intervention programmes for vulnerable people and families with “chaotic lifestyles” , pre and in-work support, digital inclusion initiatives and tailored support for all ages (16 to 70) to help people move closer to employment.

- **6.2: South East Midlands Community Led Local Development Programme:** This programme will focus strongly on localities where worklessness is most concentrated, and will aim to mobilise key players in a local area (for example, voluntary and community organisations, local authorities, other public authorities such as, health and education, and local private sector businesses) in a collaborative partnership to increase employment and overcome disadvantage. CLLD programmes proposed and in development for SEMLEP are initially urban Corby and Luton. These programmes will work closely with all of the other elements of the ESIF to ensure there is no duplication of wider ESIF interventions or duplication/displacement of mainstream activity/provision and that CLLD Local Development Strategies (LDS) align with the LEPs strategies supporting local economic growth.

Measuring success

The following indicators are amongst the key monitoring measures for the use of ESIF in the SEMLEP area. The indicators are based on government guidance and cover public expenditure only.

OUTPUT INDICATORS	ERDF	ESF	EAFRD	TOTAL 2014 - 2020
Outputs				
Number of enterprises receiving support	4,979			4,979
Number of new enterprises supported	918			918
Employment increase in supported enterprises (no. of jobs created)	2,789		192	2,981
Number of enterprises cooperating with research entities	434			434
Number of enterprises supported to introduce new to the firm products/markets	386			386
Additional enterprises accessing ICT products and services including broadband	190			190
Private investment match	5,267,720			5,267,720
Estimated GHG reductions (tonnes)	N/A			N/A
No. companies supported with Business Resource Efficiency	365			365
Infrastructure site development incl. green infrastructure (ha)	6.11			6.11
Total number of participants (b. + c. + d.)		37,078		37,078
<i>b. number of unemployed (including long-term unemployed) participants</i>		12,977		12,977
<i>c. number of inactive participants</i>		5,562		5,562
<i>d. number of employed (including self-employed) participants</i>		11,123		11,123
<i>e. number of participants aged 15-24</i>		7,416		7,416
Total participants trained			158	158

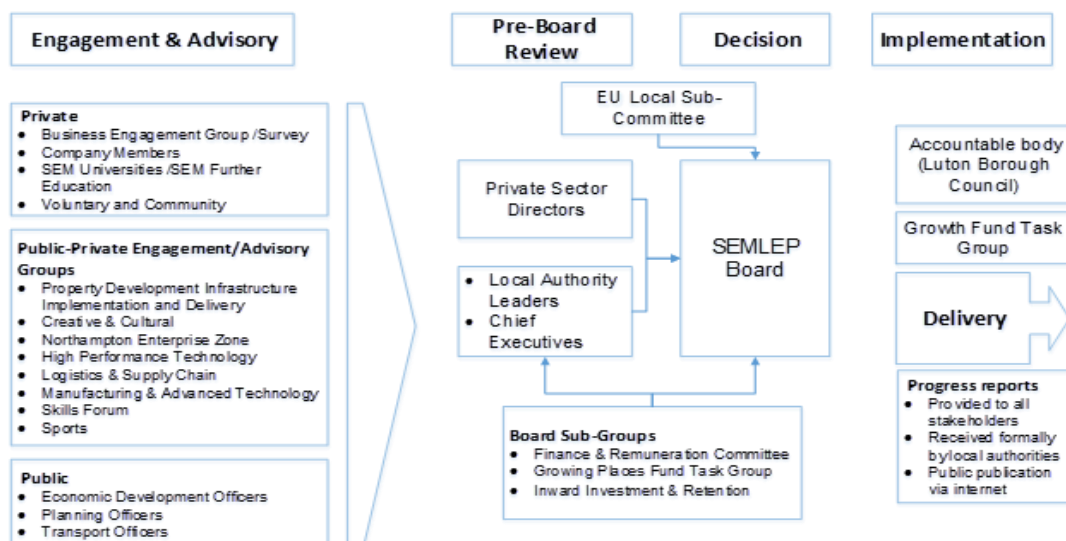
Additionality

The ESIF resource available to the South East Midlands will increase the level of investment to support the key policy areas (e.g. innovation, enterprise, workforce development, low carbon economy). ERDF, ESF and EAFRD will be used to enable enhanced programmes of support to be delivered across these policy areas and it will accelerate the rate of the delivery of LEP wide and local strategies and action plans, thereby producing outputs and impacts in support of the Europe 2020 growth goals during the 2014-20 programme delivery. It is expected that the proposed investments will maximise the additionality of European funding and provide value for money. Nevertheless, the aim will be to deliver greater outputs (and results) than forecast through the efficient and effective delivery of the Programme. At an operational level, the appraisal and selection processes will need to confirm Programme added value before any investment is approved. **ERDF and ESF enhancements to MAS, Growth Accelerator, UKTI, SFA, DWP and Big Lottery interventions through our opt-in provisions** will have the effect of improving the quality and volume of engagement with these programmes which will result in increased take up and impact. For example, a locally tailored Growth Accelerator offer would add value to mainstream provision by helping support those smaller businesses that do not currently meet the criteria for the programme at present but still have growth potential e.g. mid-growth businesses, in particular those that are less than 3 years old.

Delivery and governance arrangements

The successful delivery of funds within the European Growth Programme will depend on close working between the Managing Authority and local partners. SEMLEP has a clear governance structure that will ensure that we are able to deliver our programme of projects efficiently and effectively. A model of governance has been developed that is designed to build on what is already working well, provide opportunity for wider stakeholder engagement, increased private and sector joint working and to meet government's key tests. Our model has been designed to reflect the strategic priorities within our Strategic Economic Plan and to ensure that there are specific bodies with responsibility for mobilising both the SEP and the ESIF ensuring that delivery and compliance with all audit and regulatory compliance is recognised within this structure. Our Board (which will constitute a Local Management Committee) is at the heart of the decision-making process with its comprehensive coverage of the private sector, local authorities, Higher and Further Education, the Voluntary and Community Sector and Social Enterprise. The Board will be supported by a local EU Sub-Committee that will work with local partners and the Managing Authority to develop a pipeline of projects in line with EU regulations. The work of the Group will be reported to the SEMLEP Board with a regular written report. The diagram below demonstrates how we are proposing to manage the decision making process and implementation of key UK government and European funding streams.

In areas where we overlap with Northamptonshire, Oxfordshire and Bucks Thames Valley LEPs, we have a commitment to full and open sharing of information at all times. We already have MoUs in place with NEP and BTVLEP.



1 The Vision and investment priorities of the South East Midlands

1.1 Vision

The South East Midlands is well placed to take the lead on delivering our ambitions for 111,200 new jobs and increasing GVA by £10.8bn by 2020/21. Our economy is strong, fast growing and diverse, but we are determined to ensure that the full potential of the whole area is realised for all.

The overall vision for the South East Midlands EU 2014-20 Programme is based on that of the LEP's emerging Strategic Economic Plan 'In Pursuit of Growth' vision and strategic priorities.

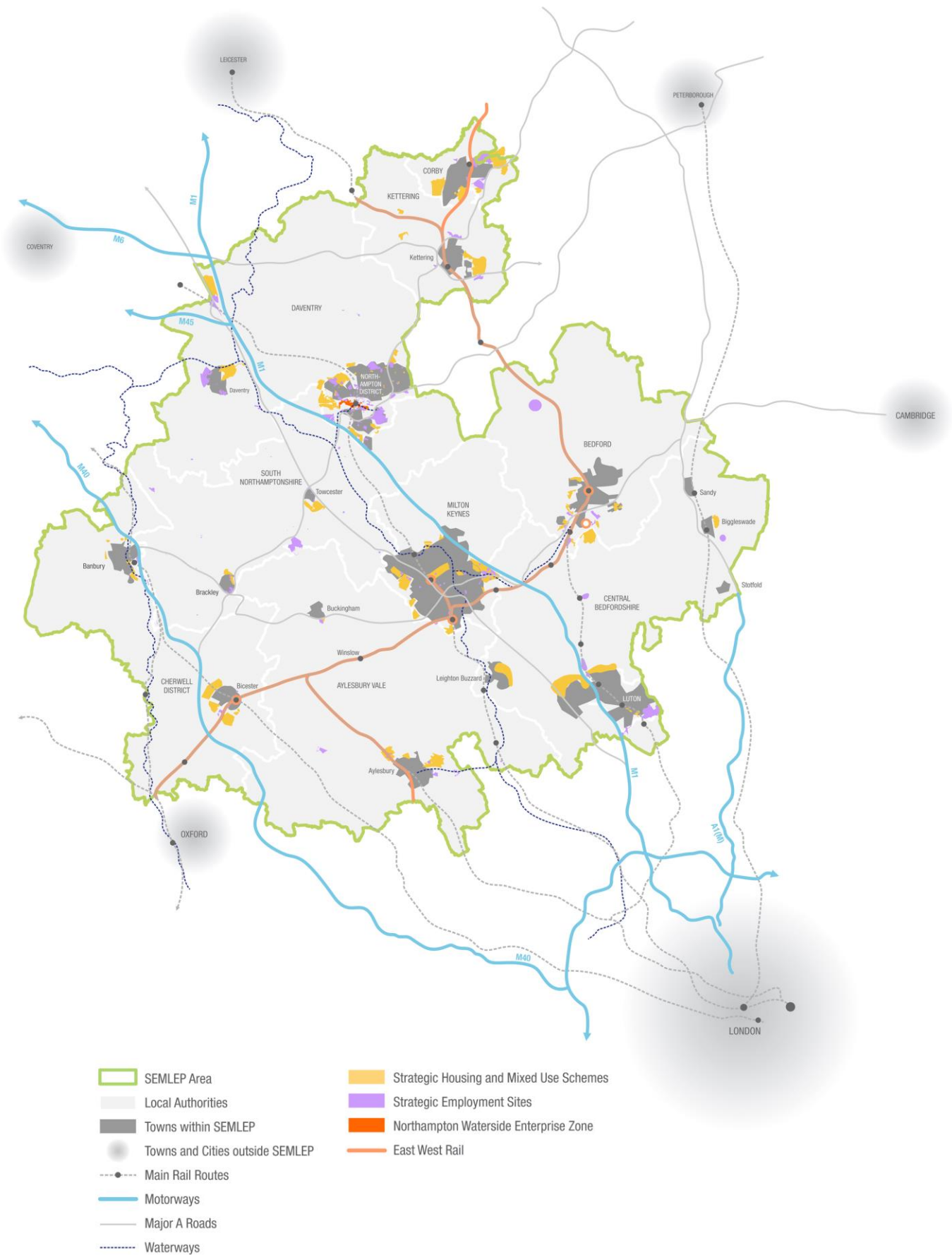
Vision

To reinforce and develop the South East Midlands as one of the most innovative, successful and high performing economies in England by 2020.

The SEMLEP approach to delivering economic development is to demonstrate clear leadership and a collaborative approach to enable private sector-led growth and inward investment.

The map on the next page provides an overview of the SEMLEP area.

Figure 1.1 An Overview of the South East Midlands Economic Asset Base



The ESIF resources will contribute to achieving the emerging SEP vision by, amongst other things:

- Creating in the region of 3,000 jobs;
- Supporting over 5,800 new and existing businesses;
- Assisting over 37,000 individuals to access employment, training or other support.

1.2 SEMLEP EU 2014-20 Programme Investment Priorities

The ESIF Strategy aims to exploit opportunities and tackle barriers to growth in order to raise productivity, support growth in existing and new markets, raise workforce skill levels, tackle worklessness, youth unemployment and address problems associated with social exclusion and connectivity to employment and training opportunities, including those experienced by communities and residents in rural and urban areas. These form the focus of our investment priorities within our ESIF Strategy.

In order to reflect the above and local priorities and structures and based on robust evidence and local intelligence, evaluating vital precursors for 'growth' and addressing evident market failures, and considering SEMLEP stakeholder and local business feedback, six strategic priorities have emerged as follows.

SEMLEP EU 2014-20 Programme Investment Priorities
Priority 1: Strengthening and exploiting SEMLEP's innovation and knowledge assets
Priority 2: Stimulating enterprise and enhancing the competitiveness of SMEs in target sectors and markets
Priority 3: Developing a low carbon economy
Priority 4: Infrastructure for Growth
Priority 5: Developing a skilled and adaptable workforce
Priority 6: Tackling social and economic exclusion

The focus of our strategic direction is on supporting business investment and private sector jobs growth to drive economic success, including through acceleration of employment, raising **productivity**, supporting growth in existing and new **markets**, raise **workforce skill** levels and targeted **infrastructure** investment. Taking into account the cross boundary LEP opportunities and UK national growth plan, the ESIF seeks to:

- deliver a step change in economic growth across the SEM. The programme aims to support business investment and private sector jobs growth to drive economic success and create inclusive opportunities for all;
- realise the economic and employment role of all the centres by supporting businesses, attracting knowledge-based industries and stimulating entrepreneurship and innovation;
- improve skills levels and educational attainments; and
- share in the growth potential of near neighbours in the Thames Valley, Hertfordshire and Cambridge sub regions, through improved linkage and networking.

Priority 6 is cross cutting in nature and will be used to help target and assess investment across all other Priorities to ensure that there is real change for SEM communities. To help achieve this vision and priorities, SEMLEP and its partners will establish robust delivery, monitoring and advisory arrangements.

1.3 Targeting of geographical areas, priority groups and sectors

The priorities identified within our ESIF cover the whole area of the South East Midlands – urban and rural (apart from EAFRD intervention which is for rural area only) - any targeting of specific sectors, priority groups and geographical areas will be based on a robust evidence base of needs.

1.3.1 Targeting resources to exploit our key strengths and assets

We will use our ESIF allocation to exploit the numerous strengths and assets of the South East Midlands including our location across the Midlands and South East of England, with the advantages of more affordable land and premises, proximity to London and the network of key towns, including Milton Keynes, Northampton, Daventry, Luton, Aylesbury and Bedford which have a track record of delivering new jobs and a commitment to future growth.

In addition to targeting investment at our key assets (see Figure 1.1 above) we have also agreed a set of spatial priority areas across the South East Midlands. These **strategic growth areas**, including ‘strategic employment sites’ and strategic housing and mixed use schemes, are locations that either offer significant opportunities for growth or where persistent market failures are evident.

In total, there are over 2,500 hectares of employment sites in the South East Midlands across 112 identified strategic employment sites. These provide a clear spatial focus for growth around Northampton, Daventry, Kettering, Corby, Luton, Bicester, Banbury, Aylesbury, Dunstable, Bedford and Milton Keynes. The scale and location of these employment sites offers potential for maximising business and employment growth, both by indigenous growth and through inward investment. Some sites are focused on specific sectors such as high performance technology and some are more generic, but all require associated infrastructure investment, particularly for road access, utilities and broadband.

Where applicable we will target our ESIF investment (e.g. business and skills support) alongside other investment streams, such as Local Growth Fund, Regional Growth Fund and the private sector to ensure that we maximise the opportunities in these strategic growth areas.

1.3.2 Targeting ESIF to address the challenges facing communities across the South East Midlands

Whilst pockets of deprivation exist across South East Midlands, the Index of Multiple Deprivation (IMD) 2010 data for the whole of the South East Midlands area shows that there are 194,800 people who live in an area identified as the 20% most deprived in England. This represents an average of 11.3% of the total population, though Corby shows 30% whilst other areas such as Milton Keynes statistically appear to have fewer areas of deprivation or in some places such as Aylesbury Vale no areas of deprivation. The South East Midlands Social Inclusion Strategy (see Annex 5) which underpins the priorities identified in SEMLEP’s strategic documents such as the Strategic Economic Plan (SEP) and ESIF, has identified the initial target areas for this programme;

- Luton
- Corby
- Bedford
- Central Bedfordshire
- Northampton

Our main reasons for initially targeting these areas were that most were deprived communities with low skills attainment and a low skills base (particularly Corby); higher than average JSA 16-24 levels and out of work benefits. In relation to Central Beds the issue is access to transport being a major barrier and its impact on young people, older people, disabled people, women returners etc.

These locations demonstrate economic need by rates of unemployment above the national average (as measured by claimant count data), overall and/or by ward area, the significant impact

of barriers to public transport to the labour market. For example, skills levels in SEMLEP's rural areas are generally low when compared to regional and national levels, whilst 16% of working population in Luton have no qualifications and 9.6% in Central Bedfordshire. Luton in particular also has a lower proportion with Level 2 and Level 4 qualifications. Our Social Inclusion Strategy (and the evidence base that underpins it) provides more detailed data to underpin these priority areas.

We will therefore use our ESIF allocation to help address the challenges these locations (and the communities within them) face, for example, through our social inclusion programmes, including Community Led Local Development¹.

However, it should be stressed that these are the initial target areas and are subject to change and/or expansion over the duration of the European Programme.

Table 1.1 Index of multiple deprivation – percentage of population in most deprived areas

District	Population not in 20% most deprived areas	Population in 20% most deprived areas	% of total population in 20% most deprived areas	Total population
Aylesbury Vale	175,892	0	0.0	175,892
Bedford	141,048	17,139	10.8	158,187
Central Bedfordshire	252,721	5,523	2.1	258,244
Cherwell	133,337	8,641	6.1	141,978
Corby	42,844	18,360	30.0	61,204
Daventry	76,554	1,806	2.3	78,360
Kettering	82,990	10, 838	11.6	93,828
Luton	149,594	56,249	27.3	205,843
Milton Keynes	215,598	31,565	12.8	247,163
Northampton	168,630	44,724	21.0	213,354
South Northamptonshire	86,450	0	0.0	86,450
Total	1,525,658	194,845	11.3	1,720,503

Drilling down further SEMLEP and partners have decided to invest in a number of Community Led Local Development (CLLD) programmes to support the Thematic Objective of Social Inclusion. The decision has been taken based on the value community economic development activity has in supporting the development of responses to the social, environmental and economic challenges faced. CLLD programmes proposed and in development for SEMLEP are initially urban Corby and Luton as indicated below.

Table 1.2 Target CLLD locations in the South East Midlands

Local authority district	CLLD defined area	Population covered
Corby	Urban Wards: Central, Danesholme, East, Hazelwood, Hillside, Kingswood, Lloyds, Lodge Park, Shire Lodge, West	53,614
Luton	Following wards: Biscot, Dallow, South, High Town, Farley and Northwell	90,000

Further detail on our approach to CLLD is provided in Section 4.7.

¹ CLLD as LEADER will continue to be a component of the Rural Development Programme

1.3.3 Targeting sectors

Informed by research and intelligence SEMLEP and partners have identified the following key sectors as those offering the greatest potential to grow. This is based upon a review of the evidence base which has analysed the performance of growth sectors: Manufacturing and Advanced Technology (value added food and drink); High Performance Engineering (automotive and aerospace); Culture and creative (visitor economy, sports, arts, heritage, design and software); and Logistics.

This is not an exclusive overview of the potential for sector growth in the South East Midlands as there are other high growth sectors and potential in small segments and specific supply chains.

The focus on priority sectors does not mean that opportunities for growth in the rest of the economy will be neglected and that support needs, which are generic to all sectors cannot be addressed through the delivery of generic business and skills support.

1.3.4 Priority groups

The targeting of our ESIF resources (in particular Priorities 5 and 6) will also reflect the diversity of the South East Midlands, including addressing the barriers to the labour market disadvantaged groups face. This will also have a spatial focus and result in higher demand for funding in some areas compared to more affluent areas. For example, this could include using ESIF resources to tackle a range of issues facing certain groups, such as interventions to tackle the rise in the number of people claiming out of work benefits, where rates are higher than the national average in some locations, including Corby, Luton and Northampton.

Some groups also experience lower employment rates and face a number of barriers to the labour market. This includes ethnic minority females, disabled people, young people and people over 50. For example the employment rate of disabled people in the South East Midlands was almost half of the total employment rate in June 2013 at 39% compared to 75.1%. Men in South East Midlands are almost twice more likely to work in higher skilled occupations than women. In June 2013 65.5% of males employed worked in higher skilled occupations compared to 39.3% of females.

1.3.5 The rural economy

The importance of our rural economy is reflected in our investment priorities, including supporting rural enterprise, innovation, skills and social inclusion. Our main ERDF and ESF funds will be deployed across the whole South East Midlands area to deliver, innovation/R&D, business support and skills and labour market interventions, etc. We will focus our EAFRD allocation on supporting investment in the most important and strategic rural issues that will complement and add value to our ERDF/ESF funds and where alternative sources of funding are scarce, and we can maximise the return on investment. This will include ensuring complementarity between the core EAFRD programme and the EAFRD element within our ESIF strategy.

1.4 Principles of our ESIF Strategy

These strategic priorities are designed to build on the diversity of the South East Midlands economy to promote our key strengths, whilst tackling those barriers standing in the way of businesses and individuals realising their full potential. They are also aligned to our SEP and national priorities for sustainable and balanced economic growth and will build on local economic priorities. Our ESIF programme activities will focus on opportunities that exploit synergies with, and promote scalability of SEP, third sector and private sector investment, including those targeting employment growth zones and other strategic areas.

Our aim is to deliver programme activities that will result in:

Accelerated delivery: for example, investment in strategic employment sites and commercial land allocations across the SEMLEP, which in turn could have implications for housing, transport investment and skills intervention;

Greater efficiency of public funds: e.g. by pooling our LGF, ESI Fund investment, public and private sector, third sector contributions, etc. in order to accelerate spend and deliver greater impact, including targeted investment within our assisted areas;

Strategic integration: spatial priorities for investment to be aligned with existing and pipeline 'growth zones' for example, employment sites, housing, investment in transport infrastructure;

Equalities: ensuring that the activities and subsequent results of the programme will take into account the gender balance of the SEMLEP area together with the needs of priority groups, including age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion and sexual orientation as identified in the Equality Act 2010. Partners in SEMLEP, particularly from the private sector, have a wide range of experience in dealing with sustainability and equality issues in the context of EU funding. A call-list of advisers with particular expertise will be available to support project development; and

Sustainability: the activities of the programme will be designed to minimise adverse environmental and resource impacts. This also links into the strategic focus on energy efficiency and developing a low carbon economy for the South East Midlands area.

1.5 Alignment between ESIF and SEP

SEMLEP, like other LEPs, has produced a Strategic Economic Plan to the timetable established by Central Government. This will enable LEPs to negotiate with Government for a share of the Local Growth Fund of around £2bn for 2015/16.

A first draft of the Strategic Economic Plan or SEP was submitted on 19th December 2013 with the final version to be submitted at the end of March 2014.

The SEP and ESIF share a common evidence base. SEP is based around the 4 pillars of business productivity, markets, workforce skills and infrastructure. Most of the funding available through the Local Growth Fund will be capital. Funding will be allocated competitively on the basis of the strength of the Plan and will be held by the accountable body, Luton Borough Council, on behalf of SEMLEP. The amount of the allocated funding will be known in July with expenditure to start in April 2015. Funding will be used to fund priority projects, which will be delivered by the relevant delivery partners.

There is strong alignment between the interventions identified within the SEP, particularly within the pillars of skills and business productivity and the themes of ESIF around Growth and Innovation, the Growth Hub and Developing a Low Carbon Economy.

2 Shaping the SEMLEP ESIF Strategy

2.1 Overview

Over the period 2014 to 2020, the South East Midlands Local Enterprise Partnership (SEMLEP) area is set to receive support under the more developed region strand of the European Structural and Investment (ESI) Funds. **The SEMLEP has a notional allocation of European funding of approximately £79.5m from the new EU 2014-20 programme.**

The new programme combines three areas of funding into one overall investment plan namely European Regional Development Fund (ERDF), European Social Fund (ESF) and European Agricultural Fund for Rural Development (EAFRD) funds. Funds are distributed as follows:

	€	£	Exchange rate
ERDF	43,950,000	£37,630,000	€1=£0.85620
ESF	43,950,000	£37,630,000	€1=£0.85620
EAFRD	5,345,100	£4.280,000	€1=£0.80069
TOTAL	93,245,100	£79,540,000	-

Partners in SEMLEP have developed an ESIF Strategy to determine how these resources are to be used over the programme period. The Strategy has been formulated to be consistent with, and contribute to, the emerging **South East Midlands Strategic Economic Plan 'In Pursuit of Growth'** as well as the EU regulations that set out requirements for expenditure within specific thematic objectives.

2.2 Strong partnership working and an extensive engagement process with partners has been critical to developing this ESIF Strategy

Partnership working is at the heart of what we do in helping to shape and deliver our vision and plans for accelerating economic growth in the South East Midlands. Since the beginning we have built solid foundations for working and engaging with the business community, our local authority partners, voluntary and community sector, further and higher education institutes, business networks and our neighbouring LEPs.

We have in place a strong structure for our partners to engage, shape and enable the development and delivery of our plans on economic growth. As a result we have ensured local authorities' active participation at each stage of the development of the ESIF Strategy.

This ESIF is the result of extensive consultation with local authorities, civil society organisations, business associations (such as the Chamber of Commerce and Federation of Small Businesses), the Business Board, Higher and Further Education Institutions, rural and environmental representative groups, Leader groups, neighbouring LEPs and opt in partners. We have a strong culture of working in partnership across local authority boundaries in an open, transparent and inclusive manner to deliver economic development.

The Strategy has also been shaped through consultation with the SEMLEP Board, its Chief Executives Board, various thematic sub-groups, including the SEMLEP EU sub-group and Economic Development Officers group. In addition, SEMLEP has collaborated with other LEPs, the opt-in service providers and other organisations. A range of consultation activities and events have informed the Strategy including:

- a SWOT workshop with members of the SEMLEP EU sub-group held in July, 2013 in Bedford;
- a joint SEMLEP and Buckinghamshire Thames Valley LEP EU stakeholder consultation event held in Aylesbury on 13th August, 2013;
- skills and business forums held in Cranfield and Luton respectively on 12th September 2013;

- on-going consultation with key stakeholder organisations within the SEMLEP.

SEMLEP also hosted three events in January 2014:

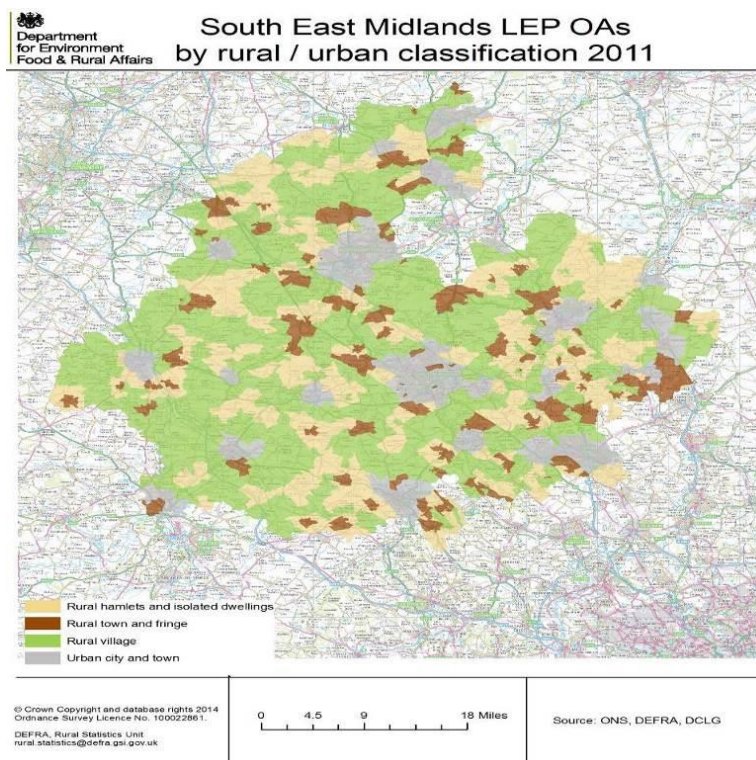
- Kettering: on January 22nd 2014 at the Kettering Conference Centre, Thurston;
- Aylesbury on 23rd January 2014 at The Gateway Office & Conference Centre; and
- Bedford on 27th January 2014 at the Corn Exchange, St Paul's Square.

The aim of these three events was to showcase our draft EU Prospectus and show delegates how EU funding will be used to benefit growth across the South East Midlands. The events which included delegates from the voluntary and community sector, businesses and local authority representatives also presented information on the current position on the SEMLEP ESIF Strategy for 2014-2020; the current UK Government timetable for agreeing LEP funding strategies; and an update on the latest position with national opt-in offers.

A wide audience of individuals and groups have attended events to help consider the programme. The January events have been well attended with participation from the public, businesses, third sector organisation, the education and skills sector and potential project sponsors. The events have helped shape the programme. In particular this revised strategy has placed greater emphasis on the issues affecting rural areas and potential activities that could be funded through EAFRD, the role of the CVS network in organising the response from the third sector and a strengthening of the equalities agenda within this strategy. The priorities and the broad financial allocations have received support at all events in 2013 and 2014.

We have also undertaken a business survey with over 1,700 businesses across the South East Midlands. This involved a telephone interview covering a wide range of business related issues including barriers to growth, business optimism, access to finance, business support, links to innovation and R&D as well as skills shortages and gaps.

This range of engagement has been a key mechanism for helping us identify key local economic strengths, assets and opportunities, the urban and rural split across the SEM, identified by DEFRA's map below, and understand from local partners 'what works' - critical to in informing and identifying investment priorities that will provide the greatest opportunity to realise economic potential over 2014-20 period and resolve the problems of economic underperformance some areas across the SEM area. Annex 1 details the individuals, public sector and VCS organisations and private sector representatives consulted as part of the strategy development process to date.



2.3 The Strategy has been informed by robust evidence base

The SEMLEP EU 2014-2020 ESIF Strategy sets out a clear plan for growth and investment that aims to maximise both UK and EU funding opportunities and is underpinned by robust evidence. The Strategy has been developed through a desk research of published data (including, SEMLEP reports, LEP Network economies research², local authority economic assessments and national data sources, including ONS, ABI, UK Competitiveness Index).

This data and other primary research we have pulled together for the evidence base examines in detail the drivers and barriers to growth for each local authority area across the South East Midlands to ensure the interventions are tailored to reflect local characteristics of the South East Midlands economy. This includes gathering case studies of key assets that represent the key drivers for accelerating growth across the South East Midlands economy.

This comprehensive evidence base which has been developed and shared with partners to inform and shape the Strategy, is attached as Annex 2. Section 3 sets out the highlights of the evidence and key statistics are set out to pinpoint key issues that the ESIF Strategy will address.

2.4 Our Strategy is based on a strong track record of delivery across the SEM area

Partners across the South East Midlands have a significant track record of successfully delivering and managing EU Structural Investment funds, including Luton, Central Bedfordshire and Bedford Borough Councils who are currently co-financing organisations for ESF.

An estimated £65m Structural and Investment Fund investment has been delivered across the South East Midlands through ERDF, ESF and EAFRD (LEADER) over the 2007-13 programme period, including:

An estimated **£25m ERDF has been invested**, including

- approximately £13m on innovation support activities to strengthen research, technological development and innovation (includes investment in ICT, low carbon and green technologies in target growth sectors);
- approximately £7m on SME competitiveness e.g. activities to stimulate enterprise and supporting successful businesses by overcoming barriers to business creation and expansion, such as access to finance, business premises, start-up support, etc. and
- an estimated £5m on low carbon and resource efficiency agendas, (including sustainable consumption and transport).

These investments, including Sustainable Design-Led Innovation (Central Bedfordshire), I-Hub Building Daventry), Sustainable Construction I-Net Raise and Corby Enterprise Support have been key to increasing business competitiveness, knowledge and technology transfer across all business sectors and stimulating innovation and job creation in new and emerging ecologically-driven market sectors.

Case study 1 – iCon Sustainability Centre, Daventry

The iCon Sustainability Centre opened in May 2011. The facility, at Eastern Way based at the edge of Daventry town centre, is a national centre of excellence in sustainable construction and is operated by the University of Northampton, working with a group of Universities and the UK Building Research Establishment. Funding for the iCon, which cost a total of £9 million was provided by East Midlands Development Agency the European Regional Development Fund and West Northamptonshire Development Corporation. The 4,000m² building offers 60 business incubator units, a conference room and theatre for up to 300 people, exhibition space, meeting rooms and a café which is open to the public. It is also a leading example of energy efficiency and a sustainable building in its own right. The facility links into the wider ERDF co-funded Sustainable Construction iNets Programme that provides tailored, sector specific business support and advice to drive innovation in sustainable construction SMEs.

² LEP Network (2012) Creating Successful Local Economies: A review of LEP Area Economies in 2012

Over **£30m ESF has been invested**, including c. £24m in extending employment opportunities; and £9m in developing a skilled and adaptable workforce. These investments, including training and support for NEETs (including vulnerable NEETs, employment support for adults, enterprise coaching, sector specific skills (including, high level training and low carbon support), pre-entry provision and support for graduates, have been key to improving the qualifications and skills of workers without basic skills and the employability and skills of unemployed and inactive people.

Case study 2: ESF support for families with multiple problems

Milton Keynes Neighbourhood Employment Programme

The skills providers in the South East Midlands are involved in a number of projects that support individuals and families to overcome a number of barriers. The **Neighbourhood Employment Programme** in Milton Keynes includes family support, mental health therapies, work experience and employability.

The focus of the programme is both geographical and thematic; delivered in those areas where poverty and unemployment is highest and supporting those people whose need is greatest, including the long term unemployed, NEETs, BME communities, people with mental health issues, families with multiple barriers, people presenting in housing need and those with children under 5.

Outcomes and impact delivered

The evaluation of the Programme³ reported that the scheme had supported 20% of clients to move into employment and supported many others to move closer to the labour market, which compares favourably with other welfare-to-work programmes, such as the Work Programme, which was found to have moved 13% of those who accessing the programme in June 2012 into work by June 2013⁴. At the time of the evaluation the Programme had delivered a cost-benefit ratio of 1.86, supported over 280 clients into work delivering estimated savings to the State of approximately £559,000 in terms of reducing the welfare bill and increasing and created around £170,000 of social value from improved skills and well-being for those supported.

Building on this expertise in the 2014-20 Programme

Given the fact that there are long-term, unemployment-related issues in those areas across South East Midlands where poverty and unemployment are highest, there is a clear business case for designing and delivering a framework based on Milton Keynes' Neighbourhood Employment Programme that would support young people and adults to help them into sustainable employment. This would link to the SEMLEP Skills Strategy, which will ensure that young people and adults acquire the skills valued by employers.

Approximately **£6.5m of EARFD/RDPE** is being principally delivered through three LEADER programmes through a 'bottom-up' community-led delivery approach. These three programmes have played a key role in improving competitiveness of the agricultural, tourism and forestry sectors of the South East Midlands as well as enhancing the natural environment and countryside

- £2.5m for Greensand Ridge;
- £2.5m Aylesbury Vale and Rural Milton Keynes Chilterns;
- £1.5m North Northamptonshire.

Through the development and delivery of these programmes partners across the SEMLEP have also been successful in securing match funding from a range of local and national funding organisations and private and third sector organisations. Our Strategy has been designed to build on this extensive track record whilst our investment priorities and programme activities have been informed by existing good practice and our on-going review and monitoring of existing provision across the South East Midlands.

³ Evaluation of the Milton Keynes Neighbourhood Employment Partnership (2013): NEF Consulting

⁴ Department for Work and Pensions (DWP), Work Programme Statistics (September 2013). Available at: <https://www.gov.uk/government/collections/work-programme-statistics—2>

Case study 3 – Gamlingay Community Eco Hub

Overview

The Gamlingay Community Eco Hub was one of the first projects to receive grant funding (£204,000) under the Greensand Ridge Rural Development Programme - a programme which aims to stimulate the local economy of the Greensand Ridge area and to help its rural businesses and community enterprises become more competitive and sustainable. The grant was used to renovate a dilapidated community centre into a vibrant, modern community hub, providing accessible community venue for local library, health and pre-school nursery services and for a host of other indoor sport and leisure activities. The project combines community facilities with energy efficient technologies to create a high quality, environmentally friendly community centre that supports micro-enterprises and the development of Gamlingay as a visitor destination, especially for walkers and cyclists. Efficient and clean energy from renewable sources is central to the Eco Hub project.

2.5 The strategy has been designed to reflect wider EU strategic policies

The SEMLEP ESIF Strategy has been designed to address the policy priorities of the EU's growth strategy (Europe 2020) in that growth should be: **smart**, through more effective investments in education, research and innovation; **sustainable**, through a move towards a low-carbon economy; and **inclusive**, with a strong emphasis on job creation, poverty reduction and tackling barriers to the labour market by enabling those furthest from the labour market to access tailored support.

The Common Strategic Framework (CSF)⁵ seeks to improve coordination and secure the more targeted use of the EU's structural funds. It is expected to improve coordination by focusing the national and regional authorities' activities on a limited set of common objectives. The CSF has a number of objectives to which Structural Investment Funds will contribute: Research & Development and Innovation (Thematic Objective 1 - TO1); ICT (TO2); SME competitiveness (TO3); Low carbon (TO4); Climate change adaptation (TO5); Environmental protection (TO6); Sustainable transport (TO7); Employment (TO8); Social inclusion (TO9); and Skills (TO10).

SEMLEP will seek to ensure that complementary investment is secured from other European programmes. These will include:

- **Horizon 2020** – the EU Framework Programme for research and development will be considered in relation to opportunities for Research, Technology Development and Innovation (RTDI), employment and SME support, enhancement of R&D infrastructure and a supportive 'growth environment' for SMEs;
- **COSME** – the Competitiveness of Enterprises and SMEs Programme may provide opportunities for intervention direction through access to finance and expert markets;
- **the European Territorial Co-operation Programme** – exploring approaches for cross-border collaborations; and
- **LIFE +** – particularly in terms of opportunities for integrated projects in the areas of climate change mitigation and supporting the drive towards a low carbon economy.

2.6 Embedded within national policy

The Strategy will also support the UK Government's key priorities of driving sustainable and 'balanced' growth based on a larger and more dynamic private sector. For example, in developing the evidence base for our ESIF Strategy we have used themes from a number of key national skills and economic development policies:

- **'Plan for Growth'** (HM Treasury, 2011) and the **Strategy for Sustainable Growth** (BIS, 2010) which set out long-term plans for sustainable and balanced growth. This will be achieved by unlocking the growth potential of businesses through targeted business support that will make the South East Midlands a great place for enterprises to start-up and grow.

⁵ See <http://www.eesc.europa.eu/?i=portal.en.events-and-activities-common-strategic-framework> for further information.

- **Skills for Sustainable Growth** (2010) which sets out the ambition to have a world-class skills base to stimulate private sector growth that will bring new jobs and provide a consistent source of competitive advantage. Our ESIF Strategy aims to unlock the potential of the existing and future workforce of the economy through a demand-driven approach to providing skills and labour market development support.
- In developing our evidence base we have taken into account the government's **Industrial Strategy** which identifies a number of key sectors on which it will focus to encourage business competitiveness. This to a large extent mirrors the sectors that we have identified as key drivers for delivering economic growth across the South East Midlands, for example, high value manufacturing and advanced technology sectors.
- **The Witty Review** of how universities can play a role in supporting growth is also significant. We recognise the critical role that South East Midlands Universities (SEMU) play in supporting growth across the local economy, in particular around encouraging innovation, research & development and commercialisation and partnerships with businesses.
- **Lord Young's Review of micro, small and medium sized enterprises** identifies barriers to business start-up and growth. It identifies gaps in current provision and provides guidance on new approaches to entrepreneurship including the use of technology. We have taken into account the key findings from the review in gathering evidence via our business survey of over 1,700 local businesses and in informing the design of the South East Midlands Growth Hub 'Velocity', which aims to simplify business support and provide advice on access to finance. The Growth Hub, which has secured £1,031,000 from the Government's Regional Growth Fund in December 2013, will be a single point of contact and support for the 141,000 companies based in SEMLEP's economic area when it goes live in early 2014.
- **Government National Priorities** have been taken into consideration as part of the DWP comments on the Strategy which takes into consideration wage incentives and experience, sector based work academies and apprenticeships.

2.7 Designed with a clear intervention logic

As shown in Table 2.1 overleaf our ESIF Strategy is built on a clear intervention logic.

Table 2.1 South East Midlands ESIF Fund Strategy intervention logic

PRIORITY	RATIONALE	MEETING NATIONAL AND EU POLICY PRIORITIES	INPUTS	ACTIVITIES	WHAT OUR ESIF WILL ACHIEVE
1. Strengthening and exploiting SEM's innovation and knowledge assets	<p>Great assets and geographic position – but needs to do more to connect with business community and enable adoption of new energy efficient technologies</p> <p>Evidence of low levels of innovation across many sectors</p> <p>Area lags behind national levels of performance and in terms of patents</p> <p>Low number of SME and HEI linkages therefore knowledge transfer and competitive advantage of support to innovate in introducing new goods and services is limited</p>	<p>EU:</p> <ul style="list-style-type: none"> ■ Europe 2020 ■ Innovation Union ■ Entrepreneurship 2020 ■ EU International Strategy for Research & Innovation ■ Digital Agenda for Europe <p>National:</p> <ul style="list-style-type: none"> ■ Innovation & Research Strategy for Growth ■ Supporting Small Business Charter ■ Industrial Strategy & sector strategies ■ TSB Strategy ■ BDUK Strategy ■ Witty Review priorities 	<p>ERDF (£9.5m) EAFRD (£0.540m)</p> <p>Private sector</p> <p>National public match (e.g. TSB)</p> <p>Local public match (e.g. HE sector)</p>	<p>SEM Growth & Innovation Programme</p> <p>Digital Technology Exploitation & Demand Stimulation Programme</p> <p>Low Carbon Technology & Innovation Support Programme</p>	<p>ERDF will deliver the following outputs across Priorities 1 to 4:</p> <ul style="list-style-type: none"> ■ 4,979 enterprises supported ■ 918 new enterprises supported ■ 2,981 jobs created ■ 434 enterprises involved in co-operative research with research institutions ■ 386 enterprises with new products/markets ■ 190 enterprises using ICT more effectively <p>EAFRD will deliver the following outputs</p> <ul style="list-style-type: none"> ■ 158 people trained ■ 192 jobs created <p>ERDF and EAFRD investment will also deliver a range of additional benefits including:</p>

PRIORITY	RATIONALE	MEETING NATIONAL AND EU POLICY PRIORITIES	INPUTS	ACTIVITIES	WHAT OUR ESIF WILL ACHIEVE
2. Stimulating enterprise and enhancing the competitiveness of SMEs in target sectors and markets	<p>Strong growth & survival rates, but uneven across SEM</p> <p>Lack of affordable finance and business equity</p> <p>Variable GVA growth/ productivity/inward investment</p> <p>SMEs failing to overcome barriers relating to leadership and management skills and entrance to new markets</p> <p>Real need for business support and training amongst rural micro businesses and farm diversification businesses. Also an opportunity to support the training of traditional land skills through local educators.</p>	<p>EU:</p> <ul style="list-style-type: none"> ■ Europe 2020 ■ Entrepreneurship 2020 ■ Digital Agenda for Europe <p>National:</p> <ul style="list-style-type: none"> ■ Industrial Strategy ■ GREAT campaign ■ Emerging Small Business Strategy ■ Business Support Integration Programme ■ Export agenda 	<p>ERDF (£16.655m) ESF (£1.630m) EAFRD (£2.130m)</p> <p>MAS opt-in</p> <p>UKTI opt-in</p> <p>Growth Accelerator Opt-in</p> <p>Private sector match</p> <p>Local public match</p>	<p>South East Midlands Growth Hub 'Velocity'</p> <p>SEM Entrepreneurship Programme</p> <p>SEM Finance for Business Programme</p>	<ul style="list-style-type: none"> ■ Business innovating to bring new products to market ■ SME jobs created ■ Increase in business start-ups ■ Promoting a greener low-carbon rural economy ■ Maintaining the high growth potential of rural areas ■ Strengthen the rural visitor economy ■ Promote the greening of rural business by providing advice for reduced energy use

PRIORITY	RATIONALE	MEETING NATIONAL AND EU POLICY PRIORITIES	INPUTS	ACTIVITIES	WHAT OUR ESIF WILL ACHIEVE
3. Developing a low carbon economy	<p>Growing high value renewable sector and local expertise.</p> <p>Expand business base in low carbon industry</p> <p>Lack of investment in resource efficiency harming competitiveness and economic growth.</p> <p>Increase energy efficiency in existing housing stock and SEM businesses</p> <p>Increase deployment of green technologies by SEM businesses (this could meet a range of EAFRD priorities, including knowledge transfer, skills)</p>	<p>EU:</p> <ul style="list-style-type: none"> ■ Europe 2020 ■ Resource Efficient Europe agenda <p>National:</p> <ul style="list-style-type: none"> ■ Industrial Strategy ■ Energy Efficiency Strategy 	<p>ERDF (£6.25m) EAFRD (£0.540m)</p> <p>Private sector</p> <p>Local public sector match</p>	<p>Low Carbon Resource & Energy Efficiency Programme</p> <p>Social Housing Retrofit Programme (to improve energy efficiency, generate jobs and incentivise energy efficiency measures).</p>	

PRIORITY	RATIONALE	MEETING NATIONAL AND EU POLICY PRIORITIES	INPUTS	ACTIVITIES	WHAT OUR ESIF WILL ACHIEVE
4. Infrastructure for Growth	<p>Need to address both access to, take up of and service provision of broadband via investment in digital and ICT business support.</p> <p>A further and critical challenge facing the area is to provide the right sites in the right locations supported by appropriate infrastructure (critical to meeting employment growth projections).</p> <p>Opportunity to focus on collaborative promotion of the SEM rural area to promote green tourism but some clarification will be needed to ensure this type of initiative is eligible</p>	<p>EU:</p> <ul style="list-style-type: none"> ■ EU 2020 Biodiversity Strategy ■ Green Infrastructure - Enhancing ■ Europe's Natural Capital ■ Digital Agenda for Europe <p>National:</p> <ul style="list-style-type: none"> ■ BDUK Strategy ■ National Infrastructure Plan ■ National Planning Policy Framework ■ Heat Strategy ■ Energy Efficiency Strategy 	<p>ERDF (£5.225m) EAFRD (£1.070m)</p> <p>Private sector</p> <p>Local public sector</p>	<p>Buildings for Growth Programme</p> <p>Enhancing local infrastructure & Environments</p>	

PRIORITY	RATIONALE	MEETING NATIONAL AND EU POLICY PRIORITIES	INPUTS	ACTIVITIES	WHAT OUR ESIF WILL ACHIEVE
5. Developing a skilled and adaptable workforce	<p>Develop high-level and mid-tier technical skills to fulfil future need, as well as to raise the skill levels of those currently low-skilled</p> <p>Address wide variances in employment in knowledge intensive industries and its occupational profile.</p> <p>SEMLEP's priority sectors are also facing challenges, including shortages and gaps.</p>	<p>EU:</p> <ul style="list-style-type: none"> Europe 2020 Youth on the Move Agenda for new skills and jobs Youth Employment Initiative <p>National:</p> <ul style="list-style-type: none"> Youth Contract National Apprenticeships Enterprise Strategy Rigour & Responsiveness Skills for Sustainable Growth Welfare reform agenda Work Programme Reducing NEETs through 'Building Digital Inclusion Work Programme National Strategy for Social Justice Engagement, Building Futures' 	<p>ESF (£26m)</p> <p>SFA opt-in</p> <p>DWP opt-in</p> <p>Private sector contributions</p> <p>Local public sector</p>	<p>High Level Skills for Key Sectors Programme</p> <p>Basic Skills and Employment Programme</p>	<p>ESF will deliver the following outputs across our investment programme:</p> <ul style="list-style-type: none"> 37,076 participants 12,976 unemployed 5,561 inactive 11,123 employed 7,416 aged 15-24 <p>ESF will also deliver a range of results and wider benefits including:</p> <ul style="list-style-type: none"> No. in jobs No. in active job search No. in education/training No. gaining qualifications Retaining young people in the local economy Support rural training provided by colleges to meet rural skills needs Expand the use of apprenticeships and study programmes
6. Tackling social and economic exclusion	<p>Significant variations in prosperity across the LEP area.</p> <p>Disparities in annual average earnings, the claimant unemployment rate, the extent of deprivation, challenges facing rural areas, GVA performance, educational attainment and skills performance.</p> <p>Deprivation also persists in certain areas across the SEM and there are pockets of very high levels of youth unemployment.</p>		<p>ESI Fund (£10m)</p> <p>Civic Society</p> <p>Local public sector</p> <p>SFA opt-in</p> <p>DWP opt-in</p> <p>Big Lottery opt-in</p>	<p>SEM Social Inclusion Programme</p> <p>SEM Community Led Local Economic Development Programme</p>	

2.8 Structure of the Strategy

The remainder of this Strategy document is structured as follows:

- Section 3 sets out the highlights of the underpinning evidence base for the ESIF Strategy, assessing the rationale and focus for intervention, including market failures, the drivers and potential barriers to growth and jobs in the area. The full evidence base is presented in Annex 2;
- Section 4 describes the strategic priorities, programme activities and cross-cutting themes of the Strategy;
- Section 5 - sets out the financial allocations, including details about match funding, the split between thematic objectives and proposed use of technical assistance. This section also presents the forecast outputs, results and value for money;
- Section 6 – sets out how the ESIF Strategy is aligned to national and European programmes, providing an update on our discussions with opt-in providers;
- Section 7 – describes governance and the delivery arrangements, along with the risk assessment and performance management arrangements.

Additional information is provided in the annexes including:

- Annex 1: Stakeholder and business engagement;
- Annex 2: The Evidence Base;
- Annex 3: Manufacturing Advisory Service and Growth Accelerator opt-ins;
- Annex 4: Rural and social inclusion case studies and ;
- Annex 5: SEMLEP Social Inclusion Strategy. This Strategy is underpinned by a detailed evidence base and case studies of projects seeking to promote social inclusion, some of which are referenced in Annex 4.

3 The local area – ‘understanding the rationale for investment’

3.1 Introduction

A comprehensive evidence base has been developed and shared with partners to inform and shape this ESIF Strategy. **This is attached as Annex 2 and informed the development of this strategy.**

The analysis presented in Annex 2 and summarised in this section presents the highlights of the evidence base and is framed against the key priorities for investment set out in the Supplementary Guidance to Local Enterprise Partnerships on Structural and Investment Fund Strategies issued early this summer:

- innovation, research and technological development;
- support for small businesses and SME competitiveness;
- the low carbon economy;
- ICT and digital;
- skills and employment; and
- social inclusion.

The following analysis and that presented in Annex 2 will highlight that although the area's economy has significant strengths and the area offers residents a good quality of life, there remain some major challenges. The mix of opportunities and challenges varies across the LEP area and the ESI Funds Strategy has been designed to address these.

3.2 A snapshot of the South East Midlands economy

Geography	SEMLEP comprises the four unitary authorities of Bedford Borough, Central Bedfordshire, Luton and Milton Keynes, together with the district councils of Aylesbury Vale, Cherwell, Corby, Daventry, Kettering, Northampton, and South Northamptonshire.	
Overlapping LEP areas	Buckinghamshire Thames Valley, Northamptonshire and Oxfordshire	
Economy	£39bn GVA economy.	
Population	1,735,100 which is projected to increase by 13% between 2011 and 2021	
Businesses	75,000 businesses in the area with nearly 97% employing fewer than 50 people. Around 10% of the working age population is self-employed in the South East Midlands with a higher percentage of these located in the rural areas.	
Innovation	A number of leading centres of research, innovation and knowledge creation, particularly within its advanced technology clusters. This includes, Nissan Technical Centre and Millbrook Proving Ground in Central Bedfordshire, Transport Systems Catapult and world class science park assets, including Cranfield Technology Park, Begley Science Park and Colworth Park.	
Key sectors	High performance technology/engineering Manufacturing and advanced technology (including food and drink)	Logistics Creative and cultural (including tourism)
Connectivity	Served by an international airport (Luton), major radial road routes from London (including the M40, M1, A1(M) and M11 motorways), with good connectivity across the South East Midlands via the A43,A45,A41, A507 and A421, as well as by the West Coast, Chiltern, Midland Line Great North East and East Coast railways.	

A strategic location with a track record of delivering new jobs and growth

Its strengths lie in its strategic location across the Midlands and South East of England, with the advantages of more affordable land and premises, proximity to London, the Thames Valley, Oxford and Cambridge; and the network of towns, including Milton Keynes, Northampton, Daventry, Kettering, Bicester, Banbury, Aylesbury, Luton and Bedford as well as a range of important market towns including Towcester, Dunstable, Leighton Buzzard, Biggleswade and Brackley. The main towns have a track record of delivering new jobs and a commitment to future growth.

Together the towns form a travel-to-work area with flows of people living in one and working in another with movements in both directions. There is a lack of self-containment in the area and the creation of more local jobs offer a number of tangible economic benefits, including alleviating congestion on commuter routes. Between the towns are large rural areas with people living and working in rural communities as well as commuting into nearby towns to work. In addition to these movements, there is a significant flow of daily commuters to London using the key rail and road links (West Coast Main Line, East Coast Main Line, M40 M1, A43 and A5).

The area has almost 75,000 businesses and a population of around 1,735,100⁶ which is projected to increase by 13% between 2011 and 2021

This is significantly faster than the national projected rate of growth of 8.6%. There are almost 75,000⁷ businesses in the area with nearly 97% of these employing fewer than 50 people. Around 10% of the working age population is self-employed in the South East Midlands. In terms of skill levels, this varies across the area with around 42% of residents in Cherwell and Bedford educated to degree level compared with only 14% in Corby.

Despite its location in three former regional development agency and planning regions, the area has long been a strategic focus and planned growth area. There are large urban intensifications and extensions already planned for the area, especially in Milton Keynes and Aylesbury Vale, Central Bedfordshire, Northampton and neighbouring towns and the Bicester Eco town. The natural environment and rural areas have an important role in making a 'quality of place' and 'quality of life' offer to attract investment.

Connectivity is a clear competitive advantage for the South East Midlands, with real journey time benefits to access key markets in London and the Midlands with competitive land and property prices and space to grow. The South East Midlands is well served by major radial road routes from London (including the M40, M1, A1(M) and M11 motorways), as well as by the West Coast, Chiltern, Midland Line and East Coast railways.

Employment is predicted to grow significantly over the next decade

There are two economic growth scenarios, both of which require investment infrastructure to address constraints on strategic employment sites and hard infrastructure. In summary:

- The central unconstrained growth scenario projects an increase in the employment base across the South East Midlands of 91,500 new jobs by 2020, which has the potential to create net additional £9.9 billion; and
- This unconstrained growth scenario is based upon a population increase of 151,400 to a total of 1.87 million by 2020.

A higher growth scenario has been modelled within the EEFM based upon Oxford Economics base projections. The economic potential that could be achieved if targeted investment accelerates growth sufficiently is the creation of up to 111,200 new jobs by 2020 in the South East Midlands and an additional £10.8 billion of GVA.

⁶ ONS 2012 mid-year population estimates, (extracted Dec. 2013)

⁷ Including the self-employed and firms below the VAT registration threshold

The area benefits from having a number of prestigious and diverse universities and university technical colleges

The area benefits from having a range of prestigious and diverse universities including the Open University, the first ever remote learning University which is at the forefront of applying new digital technology and content for the cloud computing age, and Cranfield University which is internationally renowned within its field of post graduate education in engineering and business studies. In addition the University of Bedfordshire, the University of Northampton and the University of Buckingham add to the richness of the offer. There also 9 Further Education Colleges, one sixth form college and 4 new University Technical Colleges, including one located at Silverstone, the home of Formula 1 racing.

As set out in the Witty Review, universities offer the potential to drive forward a new wave of British invention and economic growth.

Prestigious global businesses operating in key Industrial Strategy sectors

The South East Midlands is well represented by numerous global businesses with proven expertise and many are within the key sectors identified within the BIS Industrial Strategy (2012). The area has a particularly strong foundation in High Performance Engineering (including automotive and aerospace), Manufacturing and Advanced Technology (including value added Food and Drink), Logistics, Cultural and creative sector and pharmaceutical and healthcare. Examples of key businesses include Nissan Technical, Lockheed Martin, Jungheinrich, Selex Galileo, Mondelez, Unilever, St Andrews, AstraZeneca, Movianto, Jordans/Ryvita, Carlsberg, Vinci, Kier, Fairline, BEA Systems, General Motors and Cinram.

These global businesses are complemented by the area's high growth SMEs, which are a crucial engine for growth (future net employment growth will be generated by a small number of high growth firms).

SEM is a key component of the UK's motorsport Valley

Focused on Silverstone, the South East Midlands is home to approximately 1,500 high performance technology companies generating an annual local turnover of £2bn and employing between 15,000 and 21,000 people. This includes internationally renowned brands, such as Cosworth, who are based on the Northampton Waterside Enterprise Zone.

Six LEPs have an interest in this sector and work together to support growth and attract inward investment. These are SEMLEP, Northamptonshire Enterprise Partnership, Bucks Thames Valley LEP, Oxfordshire LEP, Coventry and Warwickshire LEP and Leicester and Leicestershire LEP.

A strong heritage of innovation and home to numerous science, research and technology assets driving innovation in the nation's 8 great technologies, including:

- *Our strong heritage of innovation* is particularly exemplified within our advanced technology clusters, including automotive and the iconic Silverstone at the heart of Motorsport Valley. The Nissan Technical Centre and Millbrook Proving Ground in Central Bedfordshire and the Open University's pioneering work in information technology demonstrate this capability. Colworth Park's assets and approach to food technology and open innovation are also important.
- South East Midlands currently benefits from a *relatively large, though dispersed range of innovation centres, business incubators and science park locations and facilities*, including Cranfield Technology Park, Silverstone Innovation Centre and leading research led universities such as Cranfield and Bedfordshire).
- The work of the Transport Systems Catapult and Open University are also notable across the innovation landscape in the SEMLEP area.

Evidence: Transport Systems Catapult, Milton Keynes

Milton Keynes has been chosen as the location for the UK's new £150 million Catapult centre for integrated transport systems – one of the first of its kind in the world. The Transport Systems Catapult will provide a national hub for transport modelling and monitoring – testing latest theories on how transport systems interact and function against real-world demonstrators. This will help UK businesses to develop effective and sustainable solutions to our transport needs – for both freight and people. The Catapult will be funded by up to £50 million over five years through the UK's innovation agency, the Technology Strategy Board. With private sector business and collaborative R&D projects the total funding for the centre over 5 years is expected to be around £150 million.

The natural environment has an important role in making a 'quality of place' and 'quality of life' offer to attract investment.

The rural - urban balance and the importance of agricultural and food manufacturing and production to the South East Midlands provides much of the economic context in which the partner authorities and businesses operate – for instance, 27.5% of the SEM population live in areas classified as rural. Through SEMLEP, partners collaborate to improve the rural economic environment across the South East Midlands and its capacity to support business growth and employment. Market towns serve as the service centre for its socio-economic and cultural hinterland. Much of the area is rich in species, but it has suffered from reductions in biodiversity and loss of habitats. Green infrastructure and regeneration initiatives will address these issues. The Chilterns, Greensand Ridge, Whittlewood Forest, Marston Vale, Grand Union Canal, River Ouse and Salcey Forest provide the basis of the green infrastructure network that benefits people, the environment and the economy.

Strategic developments across the SEM are helping drive the area's competitiveness

For example, the Northampton Waterside Enterprise Zone is delivering 200,000 ft² of new commercial space and offers the potential to drive competitiveness in the sub-region. Prologis at Dunstable is speculatively developing 350,000 ft². The North Houghton Regis employment area is 32 ha and offers the potential to deliver up to 2,800 jobs, with nearly 1 million ft² development of B8 space. The Woodside Link is vital infrastructure to unlock this potential. In total, there are over 2,500 hectares of employment sites in the South East Midlands across 112 identified strategic employment sites. These range from the largest in West Northamptonshire at DIRFT III in Daventry at 345 ha to Rockingham Motor Circuit at 281 ha, Luton airport at 236 ha, Silverstone Circuit at 125 ha, Brackmills and Moulton Park in Northampton, Stanion Lane Plantation and Royal Oak Industrial Estate all over 100 hectares as well as the release of new employment sites across the SEM area for example in South Northamptonshire at Silverstone and Junction 16 of the M1.

3.3 SEM area has many strengths and assets providing significant opportunities for wealth generation and economic growth

The opportunity is based upon attracting investment to deliver accelerated growth across the South East Midlands. This will be achieved by building upon the areas with a credible track record of delivery and opportunity in relation to capacity and appetite for growth. In total, the combined gross value added across the South East Midlands is £38.6 billion according to the latest data⁸. The South East Midlands is a strong economy with tremendous growth prospects which can be enhanced with the correct, targeted support. It is an enterprising place supporting business growth as well as a growing population base. With its prime location between London, Oxford, Cambridge and the rest of the Midlands, this area has the potential to deliver accelerated growth in housing and key sectors, such as high performance engineering and its related spin offs. To reach its full potential, the area requires strategic

⁸ 2011 data, ONS NUTS3 (Dec. 2012) data (including per capita allocations where required)

support from government and the local authorities, working with the private sector to support investment to realise this opportunity. Further strengths and assets are highlighted in the text box below.

Strengths and assets

SEM is a designated national growth zone, with a c. £39bn economy that has delivered employment & housing growth at a faster rate than the national economy over the last decade. The area's strength lies in its diversity of wealth creating activities, an excellent strategic location at the heart of England, and a proven history of substantive economic performance and growth.

A key communications hub for the UK with assets such as London Luton Airport, major motorways and freight terminals such as Daventry International. Real competitive advantages are offered in relation to transport connectivity, which combined with the availability of a rapidly growing and well qualified labour force and low property costs, means that the South East Midlands is a perfect location for businesses to grow and flourish compared to London and much of the South East.

A dynamic and entrepreneurial area, with self-employment levels above the national average. In 2011, there were 7,360 business births and 7,890 in 2012 in the South East Midlands. With a 7.2% increase, this is over double the national rate of 3.2%. The SEMLEP is also the highest ranking LEP for enterprises surviving one year. This suggests that one of the main opportunities is to continue to encourage and support more business start-ups to drive forward competitiveness. In terms of GVA per worker (£37,700) the SEMLEP is ranked eighth out of all 39 LEP areas.

SEMLEP has identified the following **key sectors** as those with the most potential to grow. This is based upon a review of the evidence base which has analysed the performance of growth sectors: **Manufacturing and advanced technology** (value added food and drink); **High performance engineering** (automotive and aerospace); **Culture and creative** (visitor economy, sports, arts, heritage, design and software) and **Logistics**. **The SEM's growing social enterprise sector**⁹ offers potential to play a significant role in plans for growth and investment that will maximise UK and EU funding opportunities.

Recent analysis by Experian showed that the SEM has the greatest concentration in the UK of areas rated as having strong prospects for economic growth. Milton Keynes, Aylesbury Vale, Luton and Cherwell all feature in the top ten UK areas for predicted output and employment growth over the 2013-17 period.

High levels of knowledge workers and self-employment in rural areas: Reflecting the higher skills levels and greater proportion of knowledge workers in rural areas, the average household income in rural areas is also significantly higher than in urban areas. The self-employment rate in the rural areas is nearly double the rate for the urban parts of the South East Midlands economy, with a much greater proportion of the business activity in the rural parts of the SEM area focussed in micro businesses (0-4 employees) and the agricultural sector.

The SEM also has numerous cultural assets and a strong visitor economy: including theatres, art galleries and museums and a natural environment that forms a key strategic asset for the area (e.g. urban green networks in Milton Keynes, Greensand Ridge, Slacey Forest, Rockingham Forest and the Chilterns, etc.). South East Midlands is also home to some major and well known visitor attractions including Woburn Safari Park, Whipsnade Zoo, Stowe Park in Aylesbury one of the most visited National Trust gardens outside London, Bletchley Park, Wrest Park and Silverstone. Soon to be joined by the fifth Centre Parcs Forest Village in Woburn opening in Spring 2014. These assets play a key role in underpinning the economy, attracting businesses, investment and tourism and recreation space for healthy and productive communities. For example, the visitor economy in South East Midlands supported around 59,400 jobs in 2012 accounting for about 8% of total jobs¹⁰.

⁹ Research by Inspire2Enterprise (2013) for SEMLEP highlights that based on a pro rata share of UK estimates there is likely to be in the order of 2,000 businesses that view themselves as social enterprises within the SEMLEP area. Using the average turnover figure extrapolated from the above (circa £387k) this could indicate a potential GVA contribution of circa £774million.

¹⁰ Source: Business Register Employment Survey 2012.

3.4 SEMLEP must address significant challenges if it is to realise its growth aspirations

Despite these evident strengths in the SEM economy, **the area is one of contrasts and mixed abilities**. SMEs do not fulfil their growth potential by failing to overcome barriers relating to access to finance, leadership and management skills and entrance to new markets (including exports). Capitalising on the area's strength in research and growth sectors will require intervention to address the gap between those who achieve high educational attainment and those who achieve none at all.

The South East Midlands needs to build on an already reasonable strong skills base in order to meet the full range of current and future business and employment needs and address discrepancies in performance across the geographical area. For example, Bedford has 42% of the population qualified at level 4 and above, above the national average of 34.2%, whereas Corby has 14.2%. It is also crucial to tackle the recruitment and retention issues raised by employers. Much of the educational infrastructure is in place to support the up-skilling of the existing and future workforce in a number of key sectors. However, **businesses are still reporting skills shortages when recruiting outside their organisations and skills gaps within their existing workforce, with challenges facing a number of the area's key growth sectors, including advanced manufacturing and engineering**. This includes leadership and management as well as technical and basic skills. For example, there are gaps locally in mechanical and engineering skills and within the logistics sector.

The area also needs to develop high-level and medium level technical skills to fulfil future need, as well as to bring those currently low-skilled up, whilst **greater emphasis is also needed on business-to-academia linkages, commercialisation and encouraging business investment**. For example, a recent business survey indicates that one in ten firms have links with academics and researchers. One third of firms intend to introduce new products and services. The South East Midlands, with 8.6 patents per 100,000 residents is lagging behind the national average of 13 and is ranked as the 25th LEP in the country.

An overview of some of the headline challenges facing the South East Midlands are summarised in the text box below, with further detail provided in Section 4 and Annex 2.

An area of significant contrast and mixed performance

Although the SEM area has weathered the economic downturn better than some other areas, with higher employment than UK and EU27 averages, there are some significant variations across the LEP area, particularly in relation to the annual average earnings, the claimant unemployment rate, the extent of deprivation, challenges facing rural areas, GVA performance, educational attainment and skills performance. For example:

Uneven GVA growth rates – Despite a slight improvement in growth in GVA per head of 3.9% (2009-11), South East Midlands GVA growth per head is below the average for England and lower than many of the other LEPs. There are also significant differences in GVA performance across South East Midlands. For example, Central Bedfordshire's GVA per head is 29% below the national average. The percentage of knowledge based businesses is also below the national average (21.8%) in Corby (14.3%), Kettering (17.4%), Luton (18.9%) and Northampton (19.5%).

Access and take-up of superfast broadband and associated business opportunities (with speeds greater than 24 megabits per second, mbps) is a recognised barrier to business growth, formation, job creation and self-employment and hampers competitiveness especially in the rural areas of SEM. Despite the economic and social benefits of superfast broadband there are a number of market failures within the delivery of superfast broadband, namely asymmetric information and transaction costs and the potential 'merit good' nature of broadband access.

The SEM has a **polarised occupational structure** e.g. high skilled work prominent in Milton Keynes, low skilled work accounts for a relatively large proportion of employment in Corby. 50% of employment in Milton Keynes is within knowledge intensive sectors but the percentage drops to less than a third in Corby and in Daventry. This is reflected in a **polarised skills base**.

Disparity in start-up rates by registrations per 10,000 inhabitants (2007) stands at 23.6 in Corby and 26 in

Luton compared to a UK average of 33.7 and 55.4 in South Northamptonshire.

Unemployment rates in the SEM vary substantially in terms of age, gender, disability and ethnicity nationally and in South East Midlands. For example:

- the percentage of disabled people of working age who are unemployed was more than double the South East Midlands overall unemployment rate at 17.7% in December 2012¹¹. This is higher than the national average at 16.3%.
- unemployment by ethnicity (16+) highlights that percentage of ethnic minority population who are unemployed is more than double the percentage of white population. In June 2013, 12.6% of ethnic minority population (16+) were unemployed compared to only 6.1% of white population (16+).
- number of females of working age (16-64) unemployed has more than doubled in numbers since June 2008 and has increased at a faster rate compared to male unemployment rate. Since June 2008, the number of females (16-64) unemployed has increased from 16,300 to 35,000 in June 2013, an increase of 114.7%.

The majority of IB/SDA/ESA claimants are long-term claimants, with 58.0% having claimed for five years and over and 73.0% having claimed for two years or more¹². Those aged 45-54 years represent the largest proportion accounting for 17.9% of all those claiming out of work benefits whilst those aged 60-64 years old represent only 6.9%.

Although educational attainment is generally high, there is **a need to invest in education and vocational training to meet the requirements of employers and employees and to reduce barriers to further education and workforce development**. The South East Midlands will improve the quality of labour and provide an attractive skills base for business growth as well as attracting incoming firms and business start-ups.

Despite over half of the resident population working in higher skilled occupations, **the level of out commuting is a major issue for the South East Midlands** as significant proportions of residents in employment commute elsewhere for work.

Pockets of deprivation persist with 29.3% of Corby's population, 26% of Luton's and 20.3% of Northampton's living in the most deprived areas of England compared to very low levels in South Northamptonshire (0%), Aylesbury Vale (0.9%) and Central Beds (2.2%). For young people, employment levels are amongst the highest of all LEPs but there are **pockets of very high levels of youth unemployment**.

Only 16.4% of SEM employees are employed in export intensive sectors. This is below comparable averages nationally (17.7%) and in neighbouring LEPs such as Northamptonshire (18.7%). Overall, SEMLEP lags behind the national indicators, ranked at 31 out of 39 LEPS for the number of employees working in export intensive sectors.

Levels of worklessness are continuing to rise. Despite remaining below the notational average the level of worklessness (people who are not employed and are either looking for work or do not want a job) since June 2008 has continued to rise to 278,000 people of working age or 25.9% in June 2013.

It is also apparent that **the area significantly underperforms in overall levels of innovation**, measured by comparison with other LEPs in terms of its share of employment in high and medium technology firms and as highlighted above in the number of patents registered. There is real need, but also **significant potential, to increase the economic output per head of the area**, which in 2011 was below the £21.3k average for England and at only £20.4k reinforces the requirement to aspire to at least meet peer group performances such as the Enterprise M3 and Thames Valley LEPs with outputs per head in the region of £30k. School age educational achievement, availability of affordable housing, crime rates, access to services, commercial property and environment are also all key challenges facing the area.

¹¹ This is the latest data available. It should be noted that this figure has a confidence interval of 4.9 percentage points which means that the actual figure could be 4.9 percentage points higher or lower than what is reported.

¹² Source: DWP Benefits Claimants, via Nomis, May 2013

A critical challenge facing the area is to provide the right sites in the right locations supported by appropriate infrastructure. Some key infrastructure, particularly next generation broadband, in many areas requires substantive upgrade. The difficult economic circumstances make this a challenge for partner Councils, other public sector partners and private sector partners, funding bodies and employers alike. The importance attached to economic growth is a key consideration for SEMLEP evidenced by the designation of Northampton's Waterside as an Enterprise Zone. The major employment sites proposed and coming forward through Local Plans and Core Strategies, will deliver approximately 3,000 hectares of business floor space over the next 20 years. The highways and internet connections for these strategic sites will be essential in attracting businesses to the area.

The quality of the natural environment and rural areas forms a key part of the area's 'offer' for businesses seeking to locate in the area. Delivering sustainable and green sites has the potential to facilitate climate change adaptation and mitigation and support the drive towards a green and low carbon economy. With 27.5% of the SEM population living in areas classified as rural it is important to briefly consider some of the characteristics and issues that are particularly pertinent to such areas.

Research¹³ has identified a number of issues specifically facing rural communities, including challenges associated with access to services and 'hidden' unemployment with the claimant rate in rural parts of the SEM area significantly higher among people aged 50+ years (relative to urban areas). **There are a wide range of market failures in the rural economy** which limit private sector investment in environmental services and infrastructure. For example, some rural areas also have **limited access to superfast broadband** and mobile phone coverage (which can impede access to markets), whilst rural businesses (for example, farm and forestry sectors), **face barriers to growth specifically in relation to investment in new technology, skills, infrastructure, information and advice.**

Our Strategy therefore reflects the importance of investment in key sub-regional green infrastructure projects and the rural economy; including investment in knowledge and skills in rural communities, eco-tourism, small renewable initiatives, small and micro-rural businesses, including the continued support for diversification has a role to play in enabling farmers to restructure to meet the new challenges, such as increasing competition. The Strategy also reflects the importance of investment to maintain the existing higher rates of employment and lower rates of unemployment found in the rural parts of the SEM area, investment in strengthening the Food and Drink sector through the creation of cooperatives, promotion of local producers and providers, supporting and maintaining the high rates of self-employment and rural enterprise, strengthening the current level of HPT sites and supporting the high growth potential of Silverstone.

Addressing these challenges provides tangible opportunities to raise the overall performance of the South East Midlands and national economy.

3.5 **Headline market failures evident in the SEM**

The main purpose of the ESIF Strategy (in alignment with the area's Strategic Economic Plan) is to improve economic performance and enhance the LEP's competitiveness by addressing the market failures that prevent or limit sustainable, economic development, supporting regeneration and business development and measures to support social inclusion and address the disparities that exist between areas and communities across the SEM.

Market failures can occur in many different ways but they can all be classed into a number of generic categories¹⁴: **externalities** often referred to as spill-overs; **market power**, such as barriers to entry created by private action or public regulation, which can prevent firms with more efficient products, services or processes from entering the market; and **imperfect information and uncertainty**, such as a lack of information which can cause an inefficient allocation of resources.

¹³ Oxford Consultants for Social Inclusion (OCSI) – "The rural economy in South East Midlands LEP" (2011) and "Access to services in South East Midlands LEP" (2011).

¹⁴ See HM Treasury Green Book

Table 3.1 summarises the headline market failures evident in the South East Midlands.

Table 3.1 Market failures evident in the South East Midlands

Theme	Market failure	Evidence
Innovation, research and technology development	Positive externalities as a result of firms investing in, and undertaking R&D not appropriating all of the benefits from that investment, creating a disincentive to invest. The presence of externalities means that firms will under invest in R&D.	Evidence of low levels of innovation across many sectors and low level of patent activity.
SME competitiveness	In addition to information failures related to businesses accessing business information and advice, there are a number of documented structural market failures affecting the supply of finance to SMEs, which leads to a lower supply of finance than is optimal for businesses with growth potential. For example, the inability to access finance has been identified as one of the key barriers to growth and development.	A recent survey of SEMLEP businesses found that approaching half of the businesses seeking finance had not secured the finance sought (in most cases less than £50,000). Such barriers were considered to act as a significant barrier to growth for over a quarter of businesses surveyed, in particular for rural businesses.
Low carbon economy – resource efficiency'	Research repeatedly identifies the high cost savings and short payback periods to investment in resource efficiency. Despite this economic benefit, operators (businesses, public sector organisations and civil society) do not invest in resource efficiency to the levels that might be expected, harming competitiveness.	Envirowise estimate that inefficient use of resources costs UK industry £15 billion per year, equating to over £4 million per day ¹⁵ .
Employment, skills, lifelong learning and labour market mobility	Employers or individuals lack reliable information on quality and content of learning opportunities available to them, and the benefits that may accrue from investment in particular types and levels of training. Training that is generally perceived to be of immediate need by employers or individuals may not take place. Potentially the sum total of training undertaken falls short of the long-term needs of the economy.	SEM is facing a number of significant employment and skills challenges, including meeting employer gaps and shortages, mismatches. For example, wider variances in employment in knowledge intensive industries and its occupational profile, with certain areas having employment concentrated in low level occupations.
ICT and Digital	Information failures by not being able to exploit and promote the use of ICT products and services by SMEs and social enterprises to support growth and enable people to access employment and support. Notably, without ERDF funding to stimulate the demand and use of technology, the large public and private investments in broadband infrastructure is unlikely to be optimised in terms of supporting growth. Digital Inclusion particularly in relation to low income families and some women returners is becoming a real issue – relevant with the Universal Credit system and the need increasingly for on line job application and claims.	SMEs and social enterprises may continue to have low expectations of how they can transform their business performance through superfast broadband, losing the competitive edge to keep pace in an increasingly global trading economy. 10% of premises not covered by superfast broadband by 2015 and realising business benefits and commercial opportunities.

¹⁵ Envirowise "Beat the Credit Crunch through Resource Efficiency, says Envirowise" <http://envirowise.wrap.org.uk/uk/Press-Office/Press-Releases/UK-Press-Releases/Beat-the-credit-crunch-through-resource-efficiency-says-Envirowise.html>

3.6 SWOT analysis

The preceding analysis shows that the SEM area has significant strengths and opportunities on which to build - these are summarised in Table 3.2. The ESIF Strategy has been designed to realise these opportunities for growth.

Table 3.2 Strengths and opportunities

Strengths	Opportunities
Innovation <ul style="list-style-type: none"> ■ Network of respected HE/FE and research centres of excellence ■ Knowledge assets (e.g. Silverstone, HPT sector, UTCs) ■ Key 'knowledge' sectors – advanced manufacturing/engineering, food & drink airport related, logistics and creative. 	Innovation <ul style="list-style-type: none"> ■ Potential to grow knowledge economy further - strengthen links between business, education and research institutions (including low carbon technologies, with implications for rural areas – e.g. biomass) ■ Development of key sectors and businesses ■ Opportunity to develop a centre of excellence for advanced technologies and precision engineering at Northampton Enterprise Zone ■ Innovation and knowledge transfer through co-operation
Business & skills <ul style="list-style-type: none"> ■ High levels of entrepreneurship ■ Employment in high/medium high technologies ■ Highly skilled workers –expertise in high technology and low carbon design ■ Low unemployment / high employment rates ■ A strong tourism sector and growing renewable energy sector (with implications for rural areas) 	Business & skills <ul style="list-style-type: none"> ■ Growth hotspot with a diverse economy ■ Develop smart programmes (e.g. business support, supply chains, skills strategy delivery) ■ Skills and life experiences of retired people (e.g. as mentors, tackling skills shortages) ■ Employment and population growth will lead to the growth in the service and business and finance sectors and in health and education ■ Succession issues of aging skilled workforce particularly in engineering
Infrastructure / place <ul style="list-style-type: none"> ■ Internationally connected business location (Luton Airport, motorway, logistics centre) ■ Relatively high life satisfaction & quality of life (Halifax Building Society survey (29.12.2013)) ■ Attractive natural environment and heritage assets (including Upper Nene SSSI, Forest of Marston Vale, Salcey Forest, Bentwood Forest) 	Infrastructure / place <ul style="list-style-type: none"> ■ Housing growth and supporting infrastructure developments will also bring opportunities ■ Major Town Centre Regeneration Programmes are committed in many locations ■ Increased focus on resource efficiency (e.g. smart use of natural resources) ■ Creating a low carbon pioneering economy (build on Eco-Bicester model)

The Strategy will also address the challenges (weaknesses and threats) that are faced by the SEM area, which are summarized in Table 3.3.

Table 3.3 Weaknesses and threats

Weaknesses	Threats
Innovation <ul style="list-style-type: none"> ■ Low levels of patents ■ University to business collaboration ■ Limited application of research knowledge in agri-science 	Cross-cutting <ul style="list-style-type: none"> ■ Variations in spatial performance across a range of indicators (innovation, enterprise, skills, economic activity rates, jobs, transport links, etc.)
Business and skills <ul style="list-style-type: none"> ■ Lack of affordable finance and business equity ■ Variable GVA growth/ productivity/inward investment ■ Low levels of productivity and competitiveness in agriculture sector ■ Pockets of deprivation ■ Pockets of youth unemployment ■ Sector skills shortages ■ High employment but not everybody is benefiting ■ Low levels of skills and training in land based industries ■ Workforce reintegration – ex-offenders, redundant service men/women, people with disabilities and mental illnesses ■ Access to employment opportunities 	Business and skills <ul style="list-style-type: none"> ■ Employment land, premises and infrastructure do not always meet modern business needs ■ Future supply of labour – replacement demand (SEMLEP Skills Needs Assessment study) ■ Key employer decisions ■ Increased demand for higher level skills ■ Ageing population with care and fuel poverty issues/ out-migration of younger cohorts ■ Increase workplace training and private investment in training ■ Local procurement of goods and services
Infrastructure / place <ul style="list-style-type: none"> ■ Limited broadband take-up, especially in rural areas (10% have limited/no access) ■ Access to broadband in rural areas ■ Affordability of housing ■ Employment growth lags housing/population growth ■ Access to key services, including public transport (in rural areas) ■ Gaps in business infrastructure (high quality premises) ■ Lack of charging points for electric vehicles ■ Low value, low wage economy in some districts ■ High levels of out commuting 	Infrastructure/place <ul style="list-style-type: none"> ■ SEM faces a lag between housing growth and employment growth, leading to unsustainable development/ communities ■ Mitigate and adapt to climate change ■ Failure to bring forward strategic sites (housing/employment) and supporting infrastructure (roads, utilities, broadband) to meet demand Strategic <ul style="list-style-type: none"> ■ Public sector cuts/lack of local match funding

3.7 How our evidence base translates into programme activities

An overview of the SEM position against the headline thematic priorities of the EU 2014-20 Programme is summarised below.

3.7.1 Innovation, research and technology

- SEM has a number of significant innovation, technology and research assets which offer the potential for the area to become a leader in innovation, but not enough is being done to maximize these assets to support more businesses to innovate and launch new products as measured by low level of South East Midlands share of high technology firms, patents registered and business survey results which shows only about 1 in 10 businesses have links with universities/colleges and one third have introduced or intend to introduce a new product, service or process. In addition it also showed that larger businesses are more likely to have links with colleges / universities / UTC's or innovate. There is evidence of low levels of innovation and business investment in R&D across many sectors which is restricting productivity and growth.
- As such there is a clear need to do more to connect the education sector with the business community and facilitate the adoption of new energy efficient technologies. Capitalising on strength in research and growth sectors will also mean addressing the gap between those who achieve high educational attainment and those who achieve none at all.
- Whilst the South East Midlands has an impressive portfolio of innovation centres and other facilities across the area, some of these are located in more generic office space or as part of an industrial park and maybe missing out on opportunities or the necessary support and access to specialist advice. There is also a need for the innovation centres to work as a network to strengthen the provision across the area

Programme Activities to address these opportunities and challenges

Priority 1: Strengthening and exploiting SEM's innovation and knowledge assets

- 1.1: South East Midlands Growth and Innovation Programme;
- 1.2: ICT & Digital Technology Exploitation & Demand Stimulation Programme;
- 1.3: Low Carbon and Technology Innovation Support Programme

3.7.2 SME Competitiveness & Enterprise

- The area's high growth SMEs are a crucial engine for growth – most net employment growth will be generated by a small number of high growth firms.
- The SEM area has a number of significant strengths; it is a dynamic and entrepreneurial area, with strong growth and survival rates. However, these rates are uneven across the area with unmet potential due to barriers such as access to finance and new global market opportunities. Our 2013 Business Survey found that many businesses still face a number of barriers to growth including leadership and management skills, skills shortages and job specific skills and lack of knowledge of where to access business support and the kinds of support and funding available.
- Whilst an overwhelming majority of businesses reported an improved/stable performance over the past 12 months, this is not reflected in Gross Value Added (GVA), a common measure of productivity as the South East Midlands GVA per head was below many other LEPs despite being above average across other indicators of economic performance.
- The OECD Rural Policy Review, England 2011 suggests that many smaller rural firms struggle to access funding and the various types of management and technical support needed to increase innovation and productivity.

- A key challenge for the area is to therefore develop a high quality business support ecosystem that will harness national business support products and ensure the various segments of the business base have the opportunities to realise their growth ambitions.

Programme Activities to address these opportunities and challenges

Priority 2: Stimulating enterprise and enhancing competitiveness

- 2.1: South East Midlands Growth Hub
- 2.2: South East Midlands Entrepreneurship and Business Support Programme
- 2.3: South East Midlands Finance for Business Programme (pan-LEP)

3.7.3 ICT and Digital

- Fast digital connections, high-quality applications and usage of ICT are a key enabling tool to help the economy grow.
- The commercial roll out of Next Generation Broadband is underway but some areas of the SEM continue to have poor access to broadband (in particular rural areas), whilst affordability and a lack of skills in using digital media remain issues. Together these represent a major constraint to the growth potential of many local firms and the SEM economy.
- The Commission for Rural England's report on Rural Businesses (January 2013) indicated that one of the highest priorities for rural businesses is to have access to good broadband (speed and reliability). The report identifies that rural businesses will be at a competitive disadvantage compared to urban businesses if they have a slow, or unreliable broadband connection.
- There is therefore a need to address both access to, take up of and service provision via investment in digital business support and skills provision. This activity will also support SME Competitiveness and R&D through access to new markets and partnerships.

Programme Activities to address these opportunities and challenges

Priority 1: Strengthening and exploiting SEM's innovation and knowledge assets

- 1.2: ICT & Digital Technology Exploitation & Demand Stimulation Programme

Priority 5: Developing a Skilled and Adaptable Workforce

- 5.1: High level Skills for Key Sectors
- 5.2: Basic Skills and Employment Programme

Priority 6: Tackling Social and Economic Inclusion

- 6.1: SEM Social Inclusion Programme

3.7.4 Low carbon economy, tackling climate change and enhancing the natural environment

- There is a growing high value renewables sector and local expertise in the SEM. The area is also recognised for its high value nature and bio-diversity, as well as for its cultural heritage. There is however a need for greater business investment in resource efficiency and the adoption of low carbon technologies across all sectors of the SEM economy.
- In line with the UK's carbon reduction targets, the Government is committed to tackling housing and building stock that is poorly insulated, with Green Deal the Government's national initiative designed to significantly improve the energy efficiency of local homes and businesses while addressing the cost barrier of upfront costs. Retrofit is a vital part of the development of a green economy and offers an opportunity to help drive local

economic growth, unlock new private investment, support new jobs and create a workforce with new skills.

Programme Activities to address these opportunities and challenges

Priority 1: Strengthening and exploiting SEM's innovation and knowledge assets

1.3: Low Carbon and Technology Innovation Support Programme

Priority 3: Low Carbon Economy

3.1: Low Carbon Resource and Energy Efficiency Programme

3.2: Social Housing Retrofit Programme

Priority 5: Developing a Skilled and Adaptable Workforce

5.1: High level Skills for Key Sectors

5.2: Basic Skills and Employment Programme

- A further and critical challenge facing the area is to provide the right sites in the right locations supported by appropriate infrastructure. The difficult economic circumstances make this a challenge for partner Councils, other public sector partners and private sector partners, funding bodies and employers alike. The major employment sites proposed and coming forward through Local Plans and Core Strategies, will deliver approximately 3,000 hectares of business floor space over the next 20 years. The highways and internet connections for these strategic sites will be essential in attracting businesses to the area.
- Investment in key sub-regional green infrastructure projects and sustainable sites; including cycle-ways and cultural and heritage facilitates and sites has got a number of potential benefits including supporting green/low carbon economy and attracting investment. Indeed, the quality of the natural environment forms a key part of the SEMLEP 'offer' for businesses seeking to locate in the area. Delivering sustainable and green sites also has the potential to facilitate climate change adaptation and mitigation.

Programme Activities to address these opportunities and challenges

Priority 4: Infrastructure for Growth

4.1: Buildings for Growth Programme

4.2: Enhancing Local Infrastructure and Environments

3.7.5 Employment and skills

- Demographic changes across the SEM, particularly due to aging, means that leisure activities, healthcare and bespoke housing will all be required in significantly growing quantities. The employment and economic potential of this must not be overlooked.
- Based on East of England Forecasting Model 2013, the South East Midlands economy is forecasted to grow by a further 123,000 jobs by 2031. The sectors forecasted to have the biggest numbers of jobs by 2031 are: Health and Care (105,800), Professional Services (95,500), Retail (95,000), Wholesale (85,700), Business Services (75,200). Distribution and Logistics.
- A key challenge for the area is therefore to meet these future growth forecasts which will mean education and training establishments working more in partnership with employers to tailor employment and skills support to the current and future demands of employers.
- Relatively high economic participation and employment levels – however, despite the area's employment rate remaining above national average since June 2008 it is still below pre-recession levels. Levels of worklessness continue to rise as more people become unemployed and economically inactive, whilst youth and female unemployment

are major concerns for our economy – with both remaining volatile and above pre-recession levels.

- Despite the excellent progress of local universities and colleges, skills levels across the South East Midlands are lower than is needed to support an aspirant and growing knowledge economy.
- Pockets of deeper needs are evident both in reported business skill shortages and gaps and workforce needs. This includes leadership and management, technical as well as basic skills. Recent research undertaken by Ecorys (2013) identified skills gaps and shortages including: basic and transferable skills across all sectors, skilled trades and sector specific skills and leadership and management skills.

Programme Activities to address these opportunities and challenges

Priority 5: Developing a Skilled and Adaptable Workforce

- 5.1: High level Skills for Key Sectors
- 5.2: Basic Skills and Employment Programme

Priority 6: Tackling Social and Economic Inclusion

- 6.1: SEM Social Inclusion Programme
- 6.2: SEM Community Led Economic Development

3.7.6 Labour Market Inclusion

- While the proportion of individuals living in relative poverty has reduced over the last decade there are still pockets of need across the area, ranging from urban areas with multiple and complex deprivation to rural areas which are vulnerable to economic and demographic change and disproportionately affected by rises in fuel prices and changes which affect access to services.
- The area also demonstrates economic need by rates of unemployment above the national average (as measured by claimant count data), high absolute numbers of claimants, significant parts of the area within the 20% most deprived areas (according to the Index of Deprivation 2010 and with some areas in the top 10%.
- Access to employment particularly in rural areas is evident and needs within communities are becoming polarised and deeper post-recession where poverty and low employment levels are evident. Barriers to accessing the labour market persist, for example transport, costs of childcare, attitudes and perceptions.

Programme Activities to address these opportunities and challenges

Priority 1: Strengthening and exploiting SEM's innovation and knowledge assets

- 1.1: South East Midlands Growth and Innovation Programme

Priority 2: Stimulating enterprise and enhancing competitiveness

- 2.2: South East Midlands Entrepreneurship and Business Support Programme

Priority 5: Developing a Skilled and Adaptable Workforce

- 5.1: High level Skills for Key Sectors
- 5.2: Basic Skills and Employment Programme

Priority 6: Tackling Social and Economic Inclusion

- 6.1: South East Midlands Social Inclusion Programme
- 6.2: Community Led Local Development

3.7.7 Approach to identifying EAFRD priorities

The rural economy plays an important role in South East Midlands. SEMLEP and partners are keen to ensure that our ESI Fund resources (ERDF, ESF and EAFRD) are used effectively to maximise economic impact, deliver value for money and support strategic interventions in our rural areas to deliver our vision.

The six priorities identified within the ESIF Strategy cover both urban and rural areas across the whole of the South East Midlands (apart from EAFRD which covers rural areas only). The targeting of priority groups, geographical areas (e.g. through our CLLD programme) and our four showcase sectors has been based on extensive consultation and well evidenced needs and opportunities. Our main ERDF and ESF funds will be deployed across the whole LEP South East Midlands area to deliver, innovation/R&D, business support and skills and labour market interventions already planned under our Strategic Economic Plan, skills strategy, apprenticeships plan and sector specific strategies (e.g. logistics), etc.

Our approach to EAFRD has therefore been to concentrate our allocation of approximately £4.2m on supporting investment in the most important and strategic rural issues that will complement and add value to our ERDF/ESF funds and where: there is a particular need for investment, alternative sources of funding are particularly scarce, and, where we can maximise the return on investment. This will include ensuring complementarity between the core EAFRD programme and the rural element within our ESIF strategy.

Our initial priorities for EAFRD investment are therefore as follows:

- **Supporting successful LAGs** – as a first principle, and in order to build on existing good practice, we will target our EAFRD investment in successful LAG areas. Depending on the outcome of LEADER allocations for the 2014-20 (and subject to guidance from DEFRA on the level of support LAGs could receive) SEMLEP and partners will also consider distributing EAFRD to the rural areas of the South East Midlands with inadequate or no LEADER coverage;
- **Support for micro-businesses** - specifically by adding value to our existing business support offer being delivered through the Velocity Growth Hub. This can be achieved by using EAFRD to help address the challenges rural businesses encounter in reaching conventional/mainstream business support services. This could include: business support for non-agricultural activities in rural areas and support for supply chain development in key economic sectors. For example the food and drink sector is of growing significance to the South East Midlands economy and provides the opportunities to strengthen the rural economy and support market towns.

SEMLEP and partners have considered the issue of broadband access within our rural areas and understands that the funding of 'hard-wiring' could be difficult to invest given State Aid issues. We will therefore initially use some of our EAFRD investment to provide additional demand stimulation support for rural communities that do not have access to superfast broadband. Activity proposed under this programme will align with any national EAFRD activities like the existing Rural Community Broadband Fund.

- **Small scale low carbon initiatives** – we will complement activities identified in our Low Carbon Innovation and Resource and Energy Efficiency programmes by using EAFRD to support small scale energy generation projects within rural areas. This could include schemes that extend the existing national Rural Community Energy Fund. We will work with relevant stakeholders, such as the Forestry Commission and Natural England, to identify a pipeline of suitable schemes. For example, this could include schemes looking to maximise local biomass supply chains to support the multi fuel power generation plans and investment in schemes to increase the uptake of renewable energy technologies and resource efficient practices within rural SMEs operating in the LEP's priority sectors;

- ***Support strategic cross-LEP tourism and leisure projects*** - particularly those with significant employment generation potential. Strengthening the rural visitor economy by joining up venues as networks, together with food and drink providers and spin-off businesses is likely to form a key element of the support offered.

The other EAFRD priority areas set out by DEFRA – skills development and knowledge transfer are, in our view, fully supported by our ERDF and ESF programmes and national provision.

4 ESIF investment priorities and programme activities

4.1 Introduction

This section sets out the ESIF Strategy investment programmes which are structured around our six key priorities.

All the proposals below flow from the evidence of opportunity and challenge demonstrated in Chapter 3 and Annex 2, and have been tested for their strategic fit and importance to the South East Midlands economy as a whole.

South East Midlands EU 2014-20 Programme Investment Priorities

Priority 1:

Strengthening and exploiting SEM's innovation and knowledge assets

Priority 2:

Stimulating enterprise and enhancing the competitiveness of SMEs in target sectors and markets

Priority 3:

Developing a low carbon economy

Priority 4:

Infrastructure for Growth

Priority 5:

Developing a skilled and adaptable workforce

Priority 6

Tackling social and economic exclusion

There is interconnectivity of all six priorities, but focus has to be on driving jobs growth in areas of economic need and with potential for growth. For example, Priority 6 '*Tackling Social and Economic Exclusion*' is cross cutting in nature and will be used to help target and assess investment across all other Priorities to create inclusive opportunities for all and ensure that there is real change for SEM communities. Examples of potential activities will be provided where the VCS can be involved in a broader cross section of the plan.

As previously mentioned we will use our notional EAFRD allocation to focus on the most important and strategic rural issues, including funding for new and developing small and micro rural business; small scale renewable investments in rural areas; and support for tourism activities.

Annex 4 provides a small number of case studies that illustrate the types of activity EAFRD could support.

4.2 Priority 1: Strengthening & exploiting SEM's innovation and knowledge assets

PRIORITY 1 OVERVIEW		
AIM	To fully exploit the SEM's knowledge base in Higher Education Institutes, research institutes and private sector firms by providing the right environment and conditions for business to locate, cluster and innovate through knowledge and technology transfer.	
THEMATIC OBJECTIVE(s) ADDRESSED	TO1: Innovation, technology development and research TO2: ICT TO4: Low carbon EAFRD: Article 15: Knowledge Transfer and Article 21: Broadband	
RATIONALE	The opportunity	The challenge
	<p>Diverse economy with particular strengths in a number of sectors backed by globally recognised brands</p> <p>Home to leading innovation centres, business incubators and science park locations and facilities (e.g. Cranfield Technology Park).</p> <p>Proximity to the "innovation triangle" of Oxford, Cambridge and London</p> <p>Range of prestigious and diverse universities offer the potential to drive forward a new wave of British invention and economic growth.</p>	<p>To address low levels of innovation evident across many sectors and improve performance in terms of patents</p> <p>To embed a culture of innovation and improvement in SMEs by demonstrating the benefits of innovation and science.</p> <p>More to connect the education sector with the business community and facilitate the adoption of new energy technologies.</p> <p>To become a beacon of digital business, ensuring SEM businesses are best placed in to benefit from the evolving digital environment.</p> <p>To address market failures hampering take up of new technologies in rural areas.</p>
KEY PROGRAMME ACTIVITIES	<p>Programme Activity 1.1: SEM Growth and Innovation Programme</p> <p>Programme Activity 1.2: Digital technology & demand stimulation programme</p> <p>Programme Activity 1.3: Low Carbon and Technology Innovation Support Programme</p>	
FUNDING	£10.142m indicative ESIF Fund financial allocation (£9.5m ERDF, £0.54m EAFRD)	
ADDITIONALITY	Additionally to existing national funded R&D schemes will be achieved by supporting further development and uptake of new and existing technologies through the provision of dedicated facilities and innovation support for SMEs, HEIs and industrial partners to develop and scale up new processes and higher value products prior to commercialisation.	
OUTPUTS & RESULTS	Outputs	Results
	<ul style="list-style-type: none"> 1,652 enterprises supported 434 enterprises co-operating with research institutions £2.6m private investment matching public support 674 new jobs created (40 EAFRD) 148 enterprises supported to introduce new products/markets 	<ul style="list-style-type: none"> Businesses actively innovating to bring new products to the market; Increase in SME productivity; Jobs created; business start-ups Smart specialisation; Support for enterprises in development of ICT products and services including broadband Increase in companies deploying low carbon practises, processes, services or products

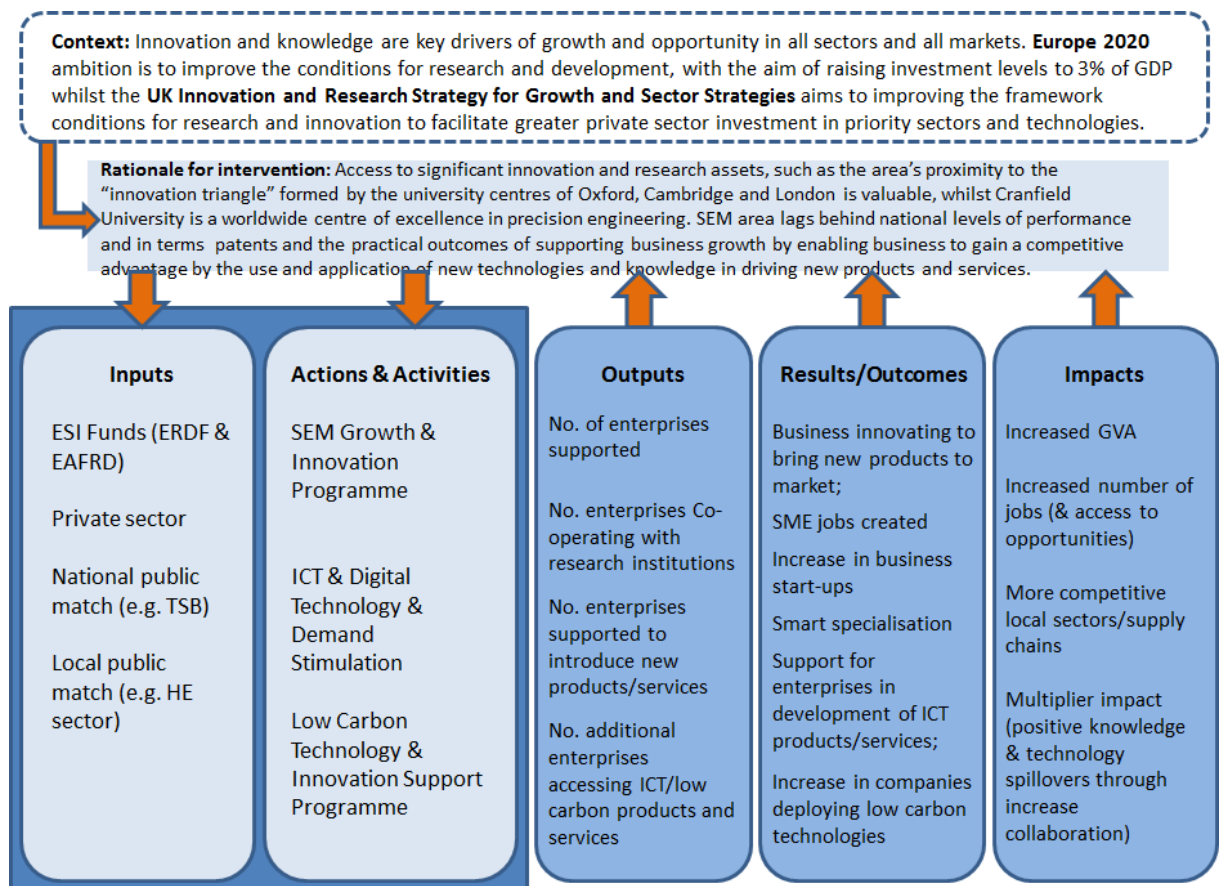
4.2.1 Context:

The South East Midlands has a number of leading centres of research, innovation and knowledge creation. There are opportunities to further capitalise upon these assets, increasing their positive influence in the economy, in particular through driving future productivity improvements for both new and existing businesses across the South East Midlands. There is also a strong linkage between these assets and new opportunities for export led growth and to compete in high-value growth sectors. The South East Midlands currently benefits from a relatively large, though dispersed range of innovation centres, business incubators and science park locations and facilities.

The ESIF alongside the Strategic Economic Plan offers the potential to complement this through delivery of a number of targeted interventions with a strong focus on improving productivity. These include the South East Midlands Growth Hub business support package, and an innovation bridge working with the Technology Strategy Board.

Figure 4.1 presents a logic model for Priority 1, setting out its rationale, objectives and its target outputs, results and growth impact.

Figure 4.1 Priority 1 logic model



4.2.2 Priority aim and objectives

Priority 1 aims to fully exploit the SEM's knowledge base in Higher Education Institutes, research institutes and private sector firms by providing the right environment and conditions for business to locate, cluster and innovate through knowledge and technology transfer. This will include interventions to support smart specialisation by targeting R&D and innovation support in our known growth sectors to encourage the development of innovative new technologies. Intervention will also strengthen and maximise the capabilities of Higher Education (and Further Education) to support businesses (including rural enterprises) through knowledge transfer and commercialisation of research.

It also aims to embed a culture of innovation and improvement in SMEs by demonstrating the benefits of innovation and science. This will include interventions to encourage and stimulate the exploitation of knowledge and innovation amongst all firms, including social enterprises, and will aim to bring new products and business processes to the market, including those linked to EU 'key enabling technologies' and the UK Government's 'eight great' technologies, and targeted intervention to provide support for the R&D aspects of low carbon and digital exploitation.

The South East Midlands could aim to become a beacon of digital business providing the infrastructure and support networks to ensure the SEM businesses are best placed in to benefit from the evolving digital environment. There are already examples of city regions (Leeds) seeking to become hubs for specific elements of the digital environment, such as specialist in health informatics. Linking with SEMU, and partners such as the Technology Strategy Board, the SEM could seek to become a digital hub.

4.2.2.1 Potential role of EAFRD

Our EAFRD notional allocation could be used to support this agenda through the provision of advice, knowledge transfer for innovative practices, equipment or research (should this not be met by national programmes). It could also potentially provide support for new technologies (including low carbon and digital) to develop new or higher quality products to open up new markets or encourage shorter supply chains within rural areas.

4.2.3 Rationale for Priority 1

From the economic analysis presented in Section 3 and in Annex 2, driving investment in Innovation, Knowledge and Technology is however clearly a key priority, including opportunities associated with the digital economy and exploiting low carbon and green technologies.

4.2.3.1 Building on significant innovation assets and strengths:

Innovation and knowledge are key drivers of growth and opportunity in all sectors and all markets. A specific mechanism through which the economic benefits of the knowledge asset base can be leveraged is through increased commercialisation of research and development activity and outputs.

SEM has a diverse economy with particular strengths in a number of sectors backed by globally recognised brands; including high performance precision engineering centred on Silverstone. The area's proximity to the "innovation triangle" formed by the university centres of Oxford, Cambridge and London is valuable, whilst Cranfield University is a worldwide centre of excellence in precision engineering.

The five HEIs of the South East Midlands Universities group (SEMU) developed strong collaborative working relationships delivering significant outcomes including encouraging growth through enterprise and entrepreneurship, a joint Master's programme, a joint HEFCE Catalyst Fund bid, plus developing international links, particularly with China. These Universities and our global businesses also have particular strengths around the Government's Eight Great Technologies, including specialisms in satellites, advanced materials and nanotechnology, big data, and regenerative medicine.

Members of SEMU have received government funded research grants in relation to these technologies and SEM is in a strong position to benefit from the developing industries around these technologies. **There is an opportunity for SEM to pioneer how its diverse business base and academic resources may collaborate to deliver growth and exploit future opportunities associated with eight great technologies.** This includes building on Technology Strategy Board (TSB) investment in the SEM. TSB has allocated over £29m in research and innovation in SEM since 2010, including approximately £9.5m to support collaborative research and development in areas such as transport (£3.5m) healthcare (£1.3m), technology (£1.7m) and sustainability (£1.5m)¹⁶.

¹⁶ <https://connect.innovateuk.org/web/where-innovation-happens/documents>

4.2.3.2 Addressing barriers to growth

Despite UK SMEs in 2009 accounting for a mere 3.5% of total R&D (according to the 2012 Innovation landscape report) empirical evidence supporting the importance of SMEs in the innovation system is plentiful, and much empirical analysis argues they contribute significantly in other ways such as introducing new products into the market. Many studies also emphasise the need for improved training, management and/or technical abilities within SMEs to enhance their absorptive capacity and their collaborative efficiency.

The recent SEMLEP business survey indicates that one in ten firms have links with academics and researchers. One third of firms intend to introduce new products and services. The South East Midlands, with 8.6 patents per 100,000 residents is lagging behind the national average of 13 and is ranked as the 25th LEP¹⁷ in the country.

Accordingly, there is an opportunity to improve levels of commercialisation in the South East Midlands, assisting firms with new products, services and patent registrations and actualisation for HPT sector (strength in rural districts of the SEM area) that enable them to enter higher value markets and achieve productivity gains through greater returns on their R&D investment.

4.2.3.3 Challenges facing rural areas

The Rural Economy Growth Review undertaken by the Department for Environment Food and Rural Affairs identified a remaining gap in productivity between rural and urban areas.¹⁸ In addition, in the agricultural sector, UK productivity has been in decline relative to its major competitors for the past three decades, and there is evidence that a lack of expenditure on public research and development is one of the causes for this.¹⁹

One of the fundamental differences between urban and rural areas is that rural areas tend to be more distant from concentrated economic activity and the associated productivity benefits (or agglomeration economies) for businesses. These benefits include knowledge transfer, thick labour markets, and access to supplier and customer markets. A consequence of being at distance from agglomeration is that knowledge transfer is weaker, labour and skills are more sparsely spread, and upstream and downstream markets are more difficult to access.

Further detail on the rationale for investment in Priority 1 activities is provided in Annex 2 Section A2.2.

4.2.4 Strategic alignment

Priority 1 will be closely aligned to Priority 2, in particular the South East Midlands Growth Hub Innovation Bridge and Accommodation Ladders initiatives. Priority 1 will also deliver intervention to develop management and leadership capacity to better equip SMEs to develop product and process improvements to drive innovation (Priority 5) and packages of support for socially innovative businesses (Priority 6). This priority will also align to wider UK and EU initiatives and programmes:

- **Horizon 2020 Programme:** SEM must focus on this plan using ERDF/ESF on commercialising the outcomes and applications of research driven through Horizon 2020. There may also be a need to support HEI and research institutes in the area to access Horizon 2020 funding to focus on our areas of scientific or technical specialisms.
- **Europe 2020:** ambition is to improve the conditions for research and development, with the aim of raising investment levels to 3% of GDP.
- **UK Innovation and Research Strategy for Growth and Sector Strategies:** improving the framework conditions for research and innovation to facilitate greater private sector investment in priority sectors and technologies (e.g. Eight Great Technologies).

¹⁷ LEP Network Review (2013)

¹⁸ Available at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/86100/Rural_Economy_Growth_Review.pdf

¹⁹ Thirtle and Holding, 2004: *Productivity of UK agriculture: Causes and constraints*,

- **Supporting Small Business Charter:** which has been established to help incentivise business schools to help small businesses across the UK through stronger academic and business partnerships and to increase the flow of highly qualified students and graduates into small businesses.
- **Information Economy Strategy:** sets out a plan for government and industry to continue to work together to promote the success of the UK information economy sector. The ambition set out in the strategy is that all organisations, especially SMEs, can be confident and successful consumers of digital technologies – able to trade online, seize new technological opportunities, and increase their revenues in both domestic and international markets.
- **Broadband Delivery UK (BDUK):** through the provision of tailored support to ensure our businesses are able to embrace and exploit new and emerging digital technologies, our ESI Fund Strategy will complement and add value to national broadband programmes, including, the Rural Broadband Delivery Programme and Community Broadband Fund.

4.2.5 Aligning and adding value to the national innovation support framework

The TSB is the UK's prime channel for supporting business-led technology innovation. It is responsible for a range of innovation programmes, including:

- **knowledge transfer partnerships**, which embed new graduates in, mostly, SMEs; knowledge transfer networks to help industry access knowledge and information;
- **collaborative R&D**, which supports the business and research communities working together on projects;
- **DECC funding for low carbon technologies (2011-15) which is investing up to £200m** into the development and demonstration of low carbon technologies and will focus on offshore wind, marine, energy efficiency in domestic & non-domestic buildings, electricity storage, renewable heat (storage, pumps and networks), energy from waste and biomass, carbon capture & storage, hydrogen and fuel cells;
- **funding for proof of concept**, market validation studies and the development of prototypes (the "Smart" initiative); and the
- **network of "Catapult" innovation accelerators** (for example, the £150m Transport Systems Catapult in Milton Keynes). Building on our Transport Systems Catapult, we will aim to leverage the network and wider resources and knowledge of Technology Strategy Board, using our Growth Hub mechanism to better connect local businesses and education sector with national technology and innovation support infrastructure. ERDF will provide a key funding mechanism to deliver additional support that will build on and enhance TSB and other national government products services to reach and benefit SEM's diverse business bases in priority growth sectors.

In the Spending Round for 2015-16 the TSB was allocated an additional £185 million, an increase on its current budget of around 60 per cent, which will allow it to extend its existing programmes and develop new ones.

4.2.6 Indicative programme activities

Three programme activities are proposed under Priority 1:

- Programme Activity 1.1: South East Midlands Growth and Innovation Programme;
- Programme Activity 1.2: Digital technology & demand stimulation programme;
- Programme Activity 1.3: Low Carbon and Technology Innovation Support Programme.

1.1: SEM GROWTH AND INNOVATION PROGRAMME

PROGRAMME DESCRIPTION

Under this programme, activities will be supported to exploit the strengths and opportunities within the existing Research & Development (R&D) and science base of the SEM economy - especially the area's HE sector that can be adopted by local firms across the area to facilitate their growth in new and emerging markets. The Programme will also involve working with SMEs across all sectors to improve their ability to innovate and exploit knowledge, new and emerging technologies and new products and business processes.

Activities could include:

- initiatives that develop the supportive environment for innovation in SMEs including the promotion of networks and industry groups within key sectors;
- funding for innovation: including Proof of concept funding, Growth Vouchers and Creative Credits Voucher Scheme (accessed through the Growth Hub – see Priority 2);
- collaborative R&D projects between SEM enterprises, research institutions & public institutions to develop new products, services and processes, adopt new technologies and encourage spin-out/spin-in activity. This could include R&D, demonstration and adoption of low carbon technologies;
- development of enterprise, innovation and technology hubs and centres of excellence, manufacturing clusters and the development of appropriate test facilities and deployment infrastructure;
- provision of greater levels and quality of business advice (including specialist technical/innovation advice, e.g. 'virtual' incubation support, skills development, championing and mentoring); and
- packages of support for socially innovative businesses to help them grow to scale and become investment-ready. This could include community based schemes to roll out technology, make it more accessible to communities and reach those least able and most in need and support for social enterprises/not for profits develop low cost technological solutions.

CHALLENGES AND/OR MARKET FAILURE ADDRESSED

As a key driver of growth and opportunity across all sectors, innovation is critical to the economic prosperity of the SEM. Innovation and knowledge are key drivers of growth and opportunity in all sectors and all markets.

Despite being the home to many innovation, technology and research assets, the area significantly underperforms in overall levels of innovation, e.g. in terms of its share of employment in high and medium technology firms, business investment in RTDI remains low and also in the number of patents registered, whilst greater emphasis is needed on business-to-academia linkages, commercialisation and encouraging business investment. As an illustration of market failure there is evidence of low levels of innovation across many sectors as well as low levels of patent activity.

SUMMARY OF IMPACT

It is estimated that the following outputs will be delivered by Programme Activity 1.1:

Output	ERDF	EAFRD
No. Enterprises Co-operating Research institutions	263	
No. Enterprises supported	1,000	
No. enterprises supported to introduce new products	83	
No. new enterprises supported	166	
No. jobs created	385	20
Private investment matching public support	£2,000,000	

Other potential impacts and outcomes from exploiting the innovation and knowledge assets include:

- increased levels of commercialisation of R&D (patents);
- firm competitiveness including export and knowledge intensive industries (measured by empirical data); and
- SME growth in GVA and employment in priority sectors with strong linkages to R&D.

1.2: DIGITAL TECHNOLOGY & DEMAND STIMULATION PROGRAMME

PROGRAMME DESCRIPTION

The Digital Technology and Demand Stimulation Programme aims to ensure that local businesses and communities can benefit from digital technological changes and market opportunities. A key focus of the programme will be on demand stimulation and the exploitation of new and emerging digital technologies rather than investment in the 'hard-wiring' to connect communities to broadband infrastructure.

Activities supported will include:

- a programme of business specific ICT support and advice, (e.g. to help SMEs adapt their business models to maximise the benefits from the take up and exploitation ICT/digital opportunities);
- business support events, education, information and general awareness-raising activity (to help enhance the demand for high-speed communication networks through identification of business benefits);
- stimulating the demand for new (or improved) services, processes and products
- business engagement activities to help create business champions, to demonstrate the value of digital technologies and the benefits it can have to businesses (e.g. demonstration events);
- supporting the on-going identification and development of new digital opportunities to exploit innovation as markets continue to develop over the course of the programme period (e.g. Big Data - facilities to operate as an entity to provide scale for innovation; the objective being to create global champions in emerging fields such as business analytics);
- support SMEs and social enterprises in their development of ICT products and services including improving their ability to exploit e-commerce opportunities, particularly where this relates to the high growth areas cited in the Information Economy Industrial Strategy.

EAFRD funding could be used to provide support for rural communities who do not have access to superfast broadband to undertake demand stimulation research to demonstrate demand to encourage providers to establish services commercially. Activity proposed under this programme will align with any national EAFRD activities like the existing Rural Community Broadband fund. In addition to this, SEMLEP recognises the key importance of supporting and accelerating access to necessary superfast broadband infrastructure; this is particularly true for rural areas and SME business premises, which may be less commercially attractive. SEMLEP and partners are therefore seeking to support the roll-out of superfast broadband through LGF resources and national initiatives like the Superfast Extension Programme, but would also seek to support connectivity to communities and businesses that will not be served under these schemes or through commercial provision.

This Programme will also be closely aligned to activities in Priority 2, Priority 5 and Priority 6 (digital inclusion) – e.g. our High Level and Basic Skills Programmes will provide intermediate, technical and higher level workforce and management skills (including digital literacy) in support of the priorities for this thematic objective.

CHALLENGES AND/OR MARKET FAILURE ADDRESSED

As national and local funding is already contributing significantly to meeting EU and national aspirations in terms of broadband coverage and speeds, the focus of this programme activity will be to overcome information failures by advising and facilitating the use of ICT products and services by SMEs and social enterprises to support growth.

The commercial roll-out in some areas of the SEM continues to provide poor access to broadband. For example, access to broadband is a major concern for the South East Midlands with significant variation across the area with Luton having the highest level of take up by business premises whereas Corby, Daventry, Kettering, Northampton, Cherwell, Aylesbury and South Northamptonshire have the lowest level of take up in South East Midlands. Given the need to support businesses to grow and with over a quarter of the population living in rural communities, it is important that we continue to support the development and expansion of super-fast broadband to support business growth and job creation. Despite the economic and social benefits of superfast broadband, there are a number of market failures within the delivery of superfast broadband, namely asymmetric information and transaction costs and the potential 'merit good' nature of broadband access (in that the true costs and benefits of access may not be realisable in short term pricing).

Many businesses still do not trade online and fewer still trade internationally. For small firms it is estimated that a 10% productivity increase is achieved from internet usage, as SMEs with significant internet usage grow and export twice as fast as others. Part of the reason for this will be lack of awareness of the opportunities and how to exploit them, but in other cases it may just be an inability to access high speed communication networks or sufficient bandwidth to meet business need²⁰. Notably, without ERDF funding to support businesses, the large public and private investments in digital infrastructure are unlikely to be optimised in terms of supporting growth. Indeed, SMEs and social enterprises may continue to have low expectations of how they can transform their business performance, benefits and opportunities through superfast broadband. As required, European Structural and Investment Funds may also be used to support SMEs in the 10% of premises that are not expected to be covered by superfast broadband by 2015.

SUMMARY OF IMPACT

Enhancing access and the take up of digital technologies will be transformational to the SEM economy. Activities to achieve this can have the benefits of:

- stimulating business start-ups through both enhanced opportunity for home working and reducing initial start-up costs to new business resulting from emerging technologies.
- helping existing businesses grow through innovative new marketing and communications techniques (such as social media and website optimisation) and opening up new markets and increasing exports.
- improving the attractiveness of SEM for inward investment and foreign direct investment, choice and availability of high speed broadband services, which are increasingly becoming a prerequisite for destinations in business location decisions;
- improving productivity by utilising smart systems enabled by high speed broadband.

It is estimated that the following outputs will be delivered:

Output	ERDF	EAFRD
No. Enterprises Co-operating Research institutions	100	
No. Enterprises supported	382	
No. enterprises supported to introduce new products	38	
No. of enterprises using ICT	190	
No. jobs created	145	20
Private investment matching public support	£300,000	

²⁰ HM Government: Framework of European Growth Programme Priorities: Background analysis (July 2013)

In addition to the benefits to businesses, providing access to and ensuring residents have the skills to benefit from digital technologies (e.g. through skills provision under Priorities 5 and 6) will help to:

- address barriers people may face in accessing employment through improved job search skills and engagement with the Government's digital by default programme, including the Universal Credit.
- increase skill levels through accessing on line courses.
- a range of social benefits including improved access to services, increased leisure activity, online spend and communication.

1.3: LOW CARBON TECHNOLOGY & INNOVATION SUPPORT PROGRAMME

PROGRAMME DESCRIPTION:

The Low Carbon Technology and Innovation Support Programme aims to accelerate the commercialisation and adoption of new and emerging low carbon, green and 'cleantech' technologies. The Programme's deliverables are focussed on encouraging innovation, increasing competitiveness, job creation and protection as well as generating positive environmental and innovation initiatives. Activities could include:

- proactive support for SMEs to engage in knowledge transfer with HEIs and FEIs to encourage commercialisation of Low Carbon technologies;
- R&D, demonstration and adoption of low carbon technologies and activities and to assist the market to develop, design and manufacture materials, goods and services with embedded low carbon technologies in order to:
 - reduce individual Carbon footprints;
 - creating low carbon, low energy use (including social housing technology, aligned to Priority 3); and
 - Information dissemination through its access to communities.
- low carbon innovation funding, including early-stage equity investments into SMEs that are developing new and innovate 'low carbon' products (ensuring investment does not duplicate that of the DECC Low Carbon Innovation Programme, the DECC Energy Entrepreneurs Fund and Programme 2.3 - SEM Finance for Business Programme)
- demonstration and deployment of renewable technologies in the UK renewable energy roadmap, for example biomass electricity and renewable and sustainable transport;
- research, development, demonstration and adoption of low carbon vehicles and fuels (including market analysis to identify growth opportunity areas);
- development of technology centres of excellence, manufacturing clusters and the development of appropriate test facilities and deployment infrastructure, for example linked to our expertise in precision engineering focused on the motorsport industry;
- deployment of localised Carbon Capture and Utilisation, Energy Storage and Waste to Energy projects and infrastructure; and
- investment in the uptake of innovative technologies and resource efficiency measures to increase environmental protection, resilience and performance of businesses and communities (linked to Priority 3).

There will be close alignment to Priority 3 in relation to delivering low carbon outputs and results for the overall 2014-20 programme. This could include EAFRD investment which will be supporting local renewable energy initiatives (for example, investment in facilities or activities to lower environmental impacts; demonstration activities, schemes to increase the uptake of renewable energy technologies within rural SMEs in LEP's priority sectors).

CHALLENGES AND/OR MARKET FAILURE ADDRESSED:

The SEM has a growing renewables sector and is recognised for its high value nature and bio-diversity sector, as well as for its cultural heritage. This strengthens the opportunities for sectors which depend on that reputation but only if the area develops a wider sense of what the 'low carbon economy' means – not only focusing on renewable generation, but on energy efficient installations and technology, on supply chains, on low carbon product developments and on encouraging innovative consumption patterns in SMEs across the SEM to reduce the environmental impact.

Whilst the business case for investing in low carbon technology is often compelling and sometimes overwhelming, there remain a number of major barriers which mean that organisations either delay or do not implement projects that would help to cut carbon and provide a rapid return on investment. SMEs generally lack resources, knowledge or finance to access new environmental technologies. There is also a shortage of environmental suppliers and products which are designed for SMEs which therefore creates a systemic market failure in business demand. These barriers tend to fall into one of three categories: lack of awareness, lack of confidence and lack of funds. A clear market failure where operators do not invest in low carbon technologies and resource efficiency which in turn can harm competitiveness.

SUMMARY OF IMPACT

Enhancing access and the take up of low carbon technologies will deliver a range of benefits to the South East Midlands, including:

- stimulating business start-ups and new employment opportunities resulting from new and emerging low carbon technologies;
- helping existing businesses grow through increased productivity;
- positive environmental impacts including reduced CO2 emissions.

In addition to the benefits to businesses there are benefits to residents by ensuring that they have the skills to benefit from employment opportunities in low carbon activities (e.g. through skills provision under Priorities 5 and 6).

It is estimated that the following outputs will be delivered:

Output	ERDF
No. Enterprises Co-operating Research institutions	71
No. Enterprises supported	270
No. enterprises supported to introduce new products	27
No. of enterprises using ICT	167
No. jobs created	104
Private investment matching public support	£300,000

Other potential impacts and outcomes include:

- Increased levels of commercialisation of R&D (patents); and
- SME growth in GVA and employment in priority sectors with strong linkages to R&D.

4.2.7 Anticipated outputs and results and value for money consideration

Priority 1 will contribute towards delivering the following ERDF output and result categories and themes:

Output themes	Results
1,652 enterprises supported	Businesses actively innovating to bring new products to the market;
434 enterprises co-operating with research institutions	Increase in SME productivity; Jobs created; Increase in business start-ups; Smart specialisation;
£2.6m private investment matching public support	Support for enterprises in development of ICT products and services including broadband;
674 new jobs created (40 EAFRD)	Increase in companies deploying low carbon practises, processes, services or products;
148 enterprises supported to introduce new products/markets	Increase in VCS SME's, SME jobs, and business start-up and increased access to technology and solutions, for VCS and communities, increasing social inclusion, and reducing costs /poverty.

We will seek to match or exceed recognised value for money benchmarks²¹ relevant to Priority 1 activities and/or exceed the following benchmarks The RDA Impact Evaluation of RDA Spend identified the following value for money benchmarks for investment in innovation support infrastructure: For example, the RDA Impact research identified that for every £1 spent on sector/cluster support generates a return of £8.70 and generating a net cost per job of approximately £12,000, whilst investment in science, R&D and innovation programmes generate a return of £8.30 per £1 spent.

²¹ *Impact of RDA spending*, National report, Volume 1, Main Report, DBERR, 2009.

4.3 Priority 2: Stimulating enterprise and enhancing competitiveness of SMEs in target sectors and markets

PRIORITY 2 OVERVIEW		
AIM	To support entrepreneurship, business development, targeted inward investment and funds financial initiatives to help improve competitiveness and growth (including rural and social enterprises), especially in high value target 'showcase' sectors.	
THEMATIC OBJECTIVE(s) ADDRESSED	TO3: SME competitiveness TO10: Skills EAFRD: Article 15: Advice and Article 20 (Employment / business support)	
RATIONALE	The opportunity	The challenge
What are the key barriers to growth and opportunities and why is ESIF required?	<p>SMEs drive economic growth through innovation, competition and job creation.</p> <p>South East Midlands offers significant opportunities to support a growing enterprise base that can help to drive productivity gains.</p> <p>An enterprising place with 121,600 people self-employed which equates to 14% of the 16+ population across the whole area.</p> <p>Opportunity to capitalise on the existing strong level of new business creation.</p>	<p>SMEs do not fulfil their growth potential by failing to overcome barriers relating to access to finance, leadership and management skills and entrance to new markets (including exports).</p> <p>Growth in jobs is not keeping pace with the growth in population.</p> <p>Access to finance remains a key barrier to growth across numerous dimensions of the economy.</p> <p>UKTI research has shown that there are a large number of barriers preventing companies from considering internationalisation.</p> <p>Wide range of market failures in the rural economy which limit private sector investment in environmental services and infrastructure.</p>
KEY PROGRAMME ACTIVITIES	<p>2.1: South East Midlands Growth Hub 'Velocity'</p> <p>2.2: South East Midlands Entrepreneurship and Business Support Programme</p> <p>2.3: South East Midlands Finance for Business Programme</p>	
FUNDING	£20.415m indicative ESIF financial allocation (£16.655m ERDF, £1.630m ESF, £2.130m EAFRD, MAS opt-in, GA opt-in, UKTI opt-in)	
ADDITIONALITY	Our opt-ins with MAS, Growth Accelerator, and UKTI will help extend the impact and reach of these programmes, embedding them within the local business support landscape. Our Growth Hub will be a key mechanism for simplifying business support whilst also providing an additional route to market for national and local business support partners.	
OUTPUTS & RESULTS	Outputs	Results
	<ul style="list-style-type: none"> ■ 2,477 of enterprises supported ■ 657 new enterprises supported. ■ 288 enterprises supported to introduce new to the firm products ■ 1,945 new jobs created ■ 1,432 participants 	<ul style="list-style-type: none"> ■ Businesses actively innovating to bring new products to the market; ■ Increase in SME productivity & jobs created; ■ Increase in business start-ups; ■ Increase in services available locally from local VCS and increase in total capacity of sector, services and support for the community.

4.3.1 Context

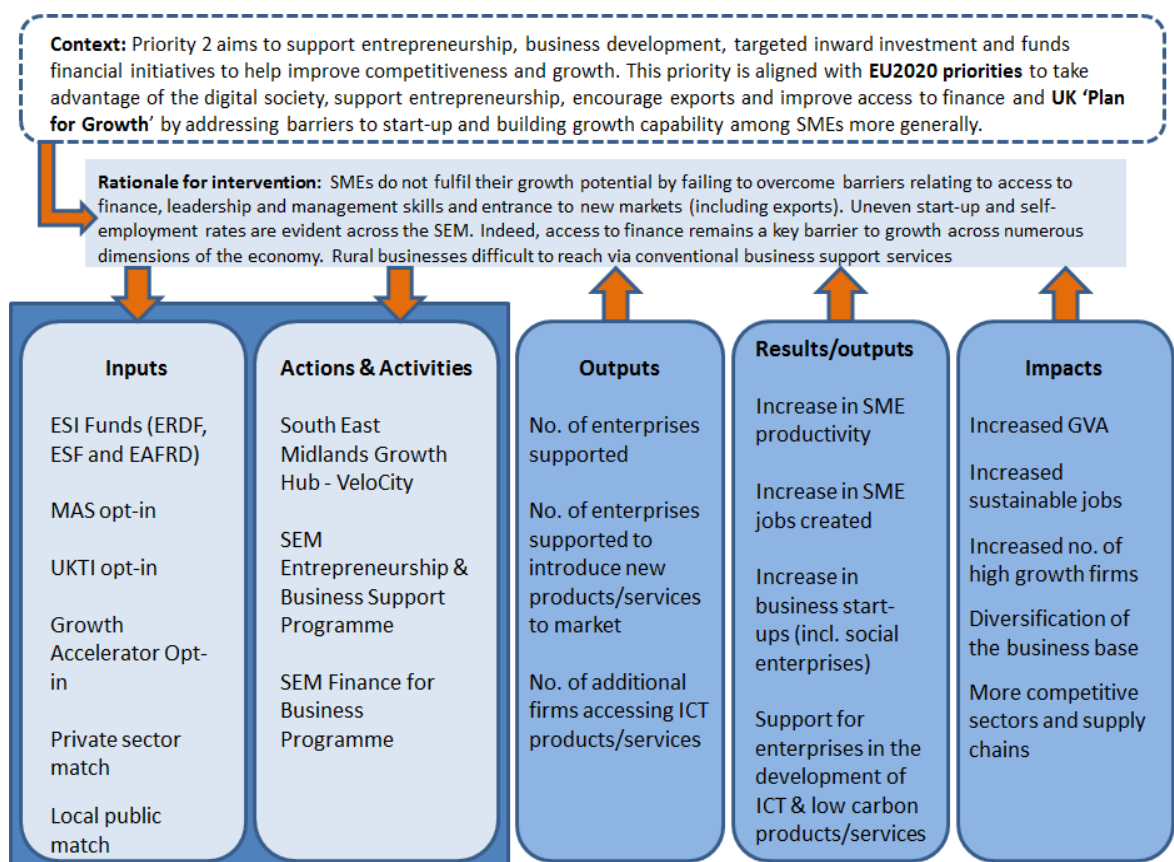
SMEs drive economic growth through innovation, competition and job creation²². The importance of SMEs is reflected in the Government's growth agenda. A key priority of the BIS Business Plan²³ is to boost enterprise and make this the decade of the entrepreneur. BIS state that this will be achieved by helping SMEs start and thrive through better business support, improved access to finance and stronger competition with fewer barriers to entry, creating a more entrepreneurial culture.

The South East Midlands offers significant opportunities to support a growing enterprise base that can help to drive productivity gains. The potential is borne out in the evidence base and linked to the phase one strategic interventions. Effective business support and supply and demand side measures which can improve business productivity are important to create new jobs. An investment package – South East Midlands Growth Hub – is being rolled out to support this investment priority and approach in the South East Midlands.

Supporting the growth of existing firms to improve productivity and overall competitiveness is critical to achieve future success. The growth in jobs is not keeping pace with the growth in population, with the number of jobs created falling by 5,700 between 2011 and 2012. In 2011, there were 7,360 business births and 7,890 in 2012 in the South East Midlands. With a 7.2% increase, this is over double the national rate of 3.2%. Survival rates are also ahead of the national average every year from year one to year five according to the latest data. This suggests that one of the main opportunities is to continue to encourage and support more business start-ups to drive forward competitiveness.

Figure 4.2 presents a logic model for Priority 2, setting out its rationale, objectives and its target outputs, results and growth impact.

Figure 4.2 Priority 2 logic model



²² BIS (2013) The Key Enablers of Business Success and the Economic Rationale for Government Intervention

²³ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/31960/12-p58-bis-2012-business-plan.pdf

4.3.2 Priority aims and objectives

Priority 2 aims to support entrepreneurship, business development, targeted inward investment and funds financial initiatives to help improve competitiveness and growth (including rural and social enterprises), especially in high value target 'showcase' sectors.

SEMLEP has a clear aspiration to achieve economic growth building on the economic sectors which create employment and offer the opportunity for growth. These include advanced technology and precision engineering, business services, logistics, food manufacturing, life sciences, bio-technologies and the creative industries. Also important will be the sectors, such as health and wellbeing, which emerge from the societal challenges of the ageing population. This is not an exclusive overview of the potential for sector growth in the South East Midlands as there are other high growth sectors and potential in small segments and specific supply chains.

The focus on priority sectors does not mean that opportunities for growth in the rest of the economy will be neglected and that support needs, which are generic to all sectors cannot be addressed through the delivery of generic business and skills support.

Support delivered under Priority 2 will include pre-business start-up and start-up support provision and embedding national business support products, such as the Manufacturing Advisory Service (MAS), Growth Accelerator and UKTI services (through the respective opt-ins) to increase share of Foreign Direct Investment (FDI) and stimulate growth and business opportunities for SEM companies. This priority will also provide support to businesses in order to accelerate and extend the roll-out and take up of high-speed communications networks where the market is failing particularly where this is proving a barrier to SME growth, with a particular focus on the areas rural communities. This will include support for SMEs and social enterprises in their development of ICT products.

The food and drink sector in the SEM area is of growing significance and provides the opportunities to strengthen the rural economy and support market towns. Particular themes for supporting and strengthening the rural economy include support for the food and drink sector from the 'field to the plate'. An emphasis on the quality as well as quantity should be promoted locally and to visitors.

Strengthening and supporting the rural visitor economy and visitor attractions across the rural districts by joining up venues as networks, working with and supporting local food and drink producers and providers and spin-off businesses, farm shops, farmers markets and the creation of cooperatives is a SEMLEP priority. The visitor economy plays a significant role in the SEM area with increased visitor numbers, employment and investment. Strengthening the rural visitor economy by joining up venues as networks, together with food and drink providers and spin-off businesses is a key part of this.

4.3.3 Rationale for Priority 2

4.3.3.1 Significant opportunities for growth

With access to major markets in the South East, the Midlands, across the UK and overseas, the South East Midlands is the ideal place for small businesses to form and expand. Business survival rates outperformed national trends over five years up to 2010. The vast majority of firms are small (96.6%) and most employ less than ten people (micro firms 83.6%). Drawing upon the findings and implications of the Lord Young Review it is essential that the South East Midlands develops the potential of rural businesses. A supportive strategy that enables firms to compete and achieve their growth potential will assist in driving improvements in productivity and expanding the employment base. The aim is to provide the right investment conditions and access to markets where firms can innovate and grow into medium sized businesses.

Encouragingly the headline theme analysis of socio-economic data within 2012 Local Enterprise Partnership Network report²⁴ placed the SEM area 8th out of 39 for the Business theme.

The South East Midlands is an enterprising place with 121,600 people self-employed which equates to 14% of the 16+ population across the whole area. This is especially the case in South Northamptonshire with 20.8% self-employed, outstripping the SEM average which is ahead of the national average. Small businesses are a mainstay of the economy; measures which effectively support start-up, survival and especially growth have the greatest potential to drive economic activity rates. In 2011, almost 7,400 new firms started in the South East Midlands.

There is the opportunity to maximise the potential of each cohort of start-ups by minimising barriers to their growth such as access to capital, skills and specialist support services. In addition to capitalising on the existing strong level of new business creation, there is further opportunity in a number of areas, including the potential to capitalise on national trends of increased female entrepreneurship and activity in knowledge based sectors.

The area also has above average enterprise survival rates over a 5 year period and supports a high level of employment in foreign owned businesses and can sustain retention, expansion and future targeted FDI.

4.3.3.2 Addressing barriers to growth

Despite these strengths SMEs do not fulfil their growth potential by failing to overcome barriers relating to access to finance, leadership and management skills and entrance to new markets (including exports). Uneven start-up and self-employment rates are evident across the SEM, and as reflected under Priority 1, there is also a low level of innovation in many sectors. Indeed, access to finance remains a key barrier to growth across numerous dimensions of the economy. Market failures in access to finance are also associated with the finance and investment readiness of those seeking funding.

Research²⁵ suggests that in order to grow, success is very much dependent on a business' internal capabilities concerning: people management; strategy formulation and execution; formalising systems; new market entry; obtaining finance; and operational improvement. SMEs demonstrating these characteristics are more likely to become high growth businesses. UKTI research has shown that there are a large number of barriers preventing companies from considering internationalisation. SMEs are time - and resource-poor. International trade is often perceived as risky, expensive and complex - or it may not be recognised as a business opportunity at all. Some SMEs are reluctant to engage with official services and many have a low level of skills for - and experience of - international trade. Most lack knowledge of the opportunities. Beyond this, many SMEs are reluctant to invest in services such as consultancy which they regard as expensive and where they believe the value of business generated may not justify the investment²⁶.

Despite the relatively strong economic performance of rural areas, businesses in rural areas face some specific barriers to growth. There are a wide range of market failures in the rural economy which limit private sector investment in environmental services and infrastructure. In the case of the Rural Development Programme the overarching market failure is the presence of environmental externalities (both positive and negative) associated with land-based activities. However, market failures can also hamper take up of new technologies, the development of skills and generally hold back the performance of the rural economy. Rural businesses have been difficult to reach via conventional business support services. For example, the OECD Rural Policy Review, England 2011 suggests that many smaller rural

²⁴ LEP Network (2012) Creating Successful Local Economies: A review of LEP Area Economies in 2012

²⁵ Bessant et al (2005) "A review of the literature addressing the role of external knowledge and expertise at key stages of business growth and development". Cited in HM Government Framework of European Growth Programme Priorities (July 2013)

²⁶ Source: LEP UKTI Trade Opt-in Proposal: Content for Draft Plan – East of England Region

firms struggle to access funding and the various types of management and technical support needed to increase innovation and productivity.

Further detail on the potential barriers to growth are summarised in the text box below.

BIS research²⁷ identify the main obstacles reported by SMEs are related to the external environment including:

- SMEs face obstacles to obtaining finance, and this has become more widespread during the downturn. On the supply side, market failures mainly relating to asymmetric or imperfect information affect the supply of finance to SMEs. On the demand side, SMEs may not fully understand the potential benefits to their business of raising finance, or their likely chance of success in gaining finance.
- Exporting is also a driver of economic growth. Exporting SMEs are on average more productive, more innovative and more resilient than non-exporters. However, there are a number of market failures relating to information failures, knowledge spill-overs and agglomeration effects, resulting in a sub-optimal level of export activity. A recent study found that 25,000 to 150,000 non-exporting UK SMEs have the potential to be competitive in export markets.
- Public procurement is seen as a good opportunity to provide support for SMEs and an important source of demand. SME procurement promotes competition and innovation.

The BIS research also identifies a series of 'tipping' points and it is the internal capacity and capability of businesses that enable them to overcome those difficulties and hence makes business growth possible.

Skills of business owner-managers and employees within the firm provide the absorptive capacity for businesses to overcome 'tipping points'. Skills have a positive effect on labour productivity and innovation activity and the evidence suggests there is a relationship between a country's levels of skills and its economic growth. Twenty-eight per cent of SME employers reported that a general shortage of skills was an obstacle to their business success. However, market failures suggest the level of investment by employers and employees may be sub-optimal.

Innovation is a driver of growth, and SMEs make a significant contribution to UK innovation activity. In 2011, 37 per cent of SMEs with more than 10 employees reported undertaking innovation activity. However, this level of innovation activity is likely to be below its optimal level due to information failures, positive externalities and institutional deficiencies.

Source: BIS (2013) The Key Enablers of Business Success and the Economic Rationale for Government Intervention.

Further detail on the rationale for investment in Priority 2 activities is provided in Annex 2 in particular:

- A2.2.3 – targeting priority sectors;
- A2.3 SME competitiveness and small business;
- A2.3.3 for evidence of market failures related to access to finance

4.3.4 Strategic alignment

Programme activity proposed under Priority 2 is closely aligned to:

- Priority 1 (e.g. tailored innovation and specialist advice support packages);
- Priority 3 with support to LEP's businesses across all sectors to operate in a more resource efficient manner, reduce their carbon footprint and access new sustainable markets;
- Priority 4: through the provision of fit for purpose business premises;

²⁷ BIS (2013) The Key Enablers of Business Success and the Economic Rationale for Government Intervention

- Priority 5 which will provide include Intermediate, technical and higher level workforce and leadership and management skills, interventions to improve the uptake and exploitation of digital technologies; and building capacity in SMEs to provide project/ placement/ internships opportunities and enhance the contribution of higher level skills to SME growth; and
- Priority 6 through, for example, support to social enterprises.

Case study: *Business Mentoring Skills Project – MKCE, Milton Keynes*

The driver for this project was the demise of the Business Line Service Support two years ago. This lack of support and the continuing Big Society Volunteering Agenda has meant that the VCSE sector is being pulled in different directions, leaving staff, trustees and directors without support. This project provides peer to peer learning and support using skills (P2P) within the VCSE sector and Mentor support from the Private Sector to build this business resilience.

Feedback from MK Play Association:

"I had an issue regarding the positioning of MKPA in the new, more difficult funding environment. I put the issue to the P2P network and the discussion not only gave me real areas to work on, it highlighted that we were in a stronger position than I had thought. I was given a positive reality check that boosted my confidence and came away with a completely different attitude as well as concrete actions."

This priority will also align to wider UK and EU initiatives and programmes in particular: **EU2020 priorities** to take advantage of the digital society, support entrepreneurship, encourage exports and improve access to finance and the **UK 'Plan for Growth'** which aims to make the UK the best place in Europe to start, finance and grow a business by addressing barriers to start-up and building growth capability among SMEs more generally.

4.3.5 Adding value to national products

Supporting growth businesses through targeted and cost effective support for all businesses, however, remains a core theme of Government enterprise policy. For instance, the Local Growth White Paper (2010) UK Plan for Growth, Bigger, Better Business (2011) and the recent Heseltine Review (2013) identify the importance of a support infrastructure that delivers economic impact and growth through removing barriers to growth, cutting red tape, boosting trade and inward investment, stimulating the start-up and growth of sustainable businesses.

Supporting self-employment and new business start-ups will complement a range of national products including: business information and access to tools and schemes through the national website GOV.UK, which has replaced the former Business Link website: DWP's New Enterprise Allowance Scheme; new structures for national support products such as the Manufacturing Advisory Service; Growth Accelerator programme, which aims to support high growth businesses (defined as those that can grow by 20% per annum) in terms of commercialising innovation and developing the business; access to finance programmes (e.g. Enterprise Finance Guarantee, Business Growth Fund, Funding for Lending Scheme); and the recently launched Business Bank and skills intervention including Apprenticeships and other work based training and employer engagement initiatives.

The SEM Business Growth Hub 'Velocity' - a specialist business growth support service – will be at the heart of our business support model to simplify the support landscape through improved co-ordination between local and national support programmes. As a single access point for local businesses, The Growth Hub will direct client businesses to appropriate innovation, business and skills support provision. The Growth Hub will establish cross referral systems, joint agreements, etc. to help embed national programmes and funding initiatives, such as Growth Accelerator, UKTI, MAS, Growth Vouchers, TSB, and access to finance into local support infrastructure. The Hub also operates as part of the supply chain, taking referrals from other organisations, whilst passing on opportunities to others.

Our discussions with the **Manufacturing Advisory Service** and the **Growth Accelerator** delivery organisations in the South East Midlands has identified that ERDF enhancements to both products will have the effect of improving the quality and volume of engagement which will result in increased take up (although this will have to be limited due to national programme capacity) and increased impact per beneficiary SME. Draft projections limit volume growth to 25% over baseline (ramped up over the programme period) and projected an increase in GVA and jobs created per intervention ramping up to 25% over the programme period.

A locally tailored Growth Accelerator offer would add value to mainstream provision by helping support those smaller businesses that do not currently meet the criteria for the programme at present but still have growth potential e.g. mid-growth businesses and also new-start businesses, in particular those that are less than 3 years old.

Through our **UKTI** opt-in opportunity we will aim to leverage the network and wider resources and knowledge of UKTI, including full access to this existing UK infrastructure as well as the world wide resources as part of the UKTI match funding. The added value will be access to additional support that will build on and enhance UKTI services to reach and benefit SEM's diverse business bases in priority sectors enabling them to make new international sales.

4.3.6 Indicative programme activities

Three programme activities are proposed under Priority 2:

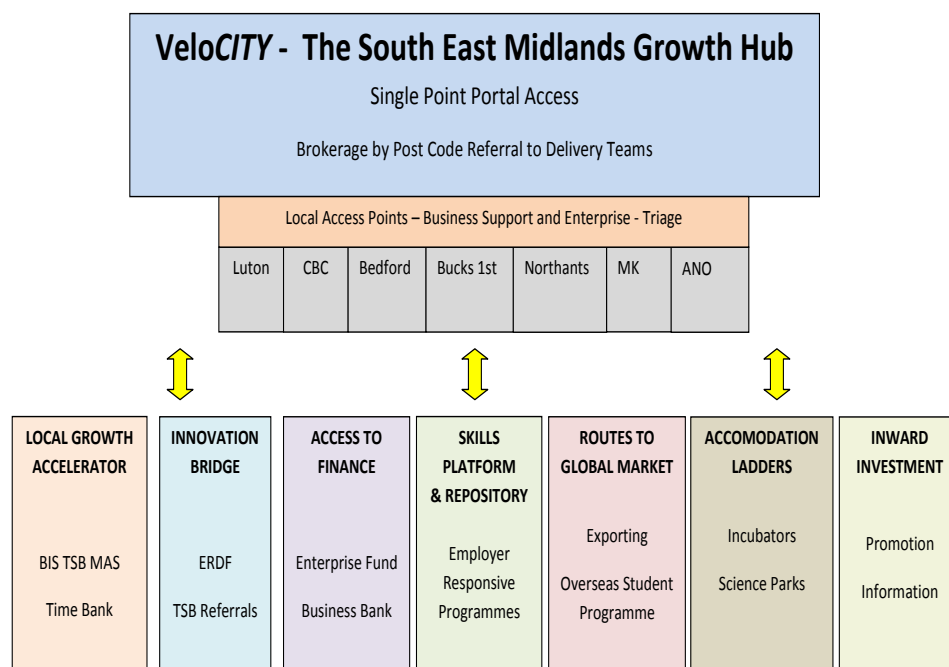
- Programme Activity 2.1: South East Midlands Growth Hub 'Velocity'
- Programme Activity 2.2: South East Midlands Entrepreneurship and Business Support Programme
- Programme Activity 2.3: South East Midlands Finance for Business Programme

2.1: SOUTH EAST MIDLANDS BUSINESS GROWTH HUB 'Velocity'

PROGRAMME DESCRIPTION:

A specialist business growth support service providing access to a tailored and co-ordinated package of diagnostic, advisory and coaching and mentoring services to accelerate the creation and growth of sustainable growth ventures. The Growth Hub will be an online portal supported by experts based at local Chambers of Commerce, providing a personalised service to every business which seeks its support and advice. The Hub will operate as a knowledge bank for cross referral and extend the impact and reach of national support programmes and services including the Manufacturing Advisory Service, Growth Accelerator, UKTI, TSB Knowledge Transfer Networks, UKTI, BIS sector teams and NESTA. The Growth Hub aims to add value to national and local products by:

- simplifying the support landscape through a single point for directing local businesses to appropriate support services. Through the opt-ins with MAS, Growth Accelerator and UKTI, and by establishing cross referral systems, joint agreements, etc. the Growth Hub is helping national programmes into local support infrastructure. **Detail on MAS and Growth Accelerator opt-ins is provided in Annex 3;**
- helping drive demand and deal flow: as an additional route to market for a range of public and private providers; and
- mechanism to improve intelligence on business needs, barriers to growth and solutions: Including research and intelligence to identify current and future SME growth challenges, issues and employer skill needs.



Businesses logging on will be signposted to existing national and local business support services and many will also receive individual support from the growth hub team, as well as access to subsidised business growth programmes, including:

- **enhanced local MAS, Growth Accelerator and UKTI trade and export programmes**
The 'opt in' offer of MAS, UKTI and the Growth Accelerator will be tailored to SEM and the benefits maximised;
- **active Advice and Business Time Bank** (access to professional growth packages, business skills and advice, e.g. supply chain development, workforce development);
- **access to specialist innovation support packages**; to improve design and product innovation through provision of guidance on Intellectual Property Rights issues. The emphasis will be on opening doors to existing innovation support, including the programmes proposed under Priority 1 and national support products delivered by organisations such as the Technology Strategy Board;
- **financial support** (e.g. CDFI, Business Bank, and other micro-loan funds);
- **support to identify local skills priorities and assist matching provision with labour market needs** (Alignment with Priority 5);
- **access to appropriate business accommodation**: linking businesses (including fledgling high growth ventures) with appropriate business space (especially for high growth potential firms, grow on space and support services where there is market failure). This could include the VCS such as access to a hub to share facilities and encourage cross sector working. (Alignment with Priority 1 and Priority 4);
- **growth sector support programmes**, including working with UKTI to create a collective export promotion strategy for the SEM area and promote services to target local businesses. Inward investment support activity could also be provided to build interest in the SEM area to foreign investors, including defining the investment offer as part of the UK Digital Platform.

Supporting rural businesses

There is a very real need for business start-up and growth support amongst rural micro

businesses. **EAFRD investment could build on existing successful projects and expertise to deliver:**

- business development support, including business start-up support for non-agricultural activities in rural areas; investments in creation and development of non-agricultural activities; supporting supply chain development and improving access to supplier and customer markets;
- sector support, including products tailored to the food and drink sector;
- funding to businesses and entrepreneurs to support the creation and development of Small and Micro Businesses, including the uptake of new/ improved business processes, which could include resource efficiency support offered under Priority 3.

Support offered through the ESIF will target strategic schemes that will complement the smaller scale projects that will be supported through the LEADER programme. For example, the businesses supported through the 2007-2013 LEADER programme range from market town retail to equestrian businesses, farm shops to conservation of a 19th century flour mill.

Annex 4 provides a selection case studies that illustrate the types of activity EAFRD could support. In terms of impact, a recent survey conducted by NGAGE relating to past applicants indicates that there has been an increase of 31% employment following the grants received and over half businesses increased turnover by over 50% following a grant. This shows the real potential released when these rural businesses are supported.

CHALLENGES AND/OR MARKET FAILURE ADDRESSED:

SME performance and activity is a key driver of the UK economy and an engine for growth. They are responsible for almost half of private sector outputs and almost half the net growth in jobs. Despite economic challenges, business start-ups have increased between 2008 and 2012, although there was a slight set back between 2011 and 2012.²⁸

The shifting economic landscape and associated policy responses has seen business support systems and the role of Government in the provision of advice and information go through substantial changes over recent years. Supporting growth businesses through targeted and cost effective support for all businesses, however, remains a core theme of Government enterprise policy. Set within this rapidly evolving funding and support landscape, a key challenge for LEPs and partners is to establish frameworks to help ensure business support is delivered in a coherent, simplified and co-ordinated manner and one that is responsive to the needs of local economies and local businesses.

The Growth Hub has therefore been designed to tackle this challenge by bringing together national and local provision with the aim of simplifying the support landscape and focusing national programmes (e.g. MAS, UKTI, Growth Accelerator) on those interventions where the pooling of resources offer the greater potential for delivering improved impact.

SUMMARY OF IMPACT

The table below summarises the anticipated outputs and results that will be delivered by the Velocity Growth Hub (including outputs for MAS, Growth Accelerator and UKTI).

Output category	ERDF	ESF
No. Enterprises. Supported	2,122	
No. New Enterprises. Supported	102	
Enterprises Private Match	£1.17m	
No. Enterprises New Products	238	
No. jobs created	1,395	
No. of participants		329
No. of unemployed		115
No. of inactive		49
No. of employed		99
No. of aged 15-24		66

²⁸ HM Government presentation, May 2013.

A recent study for BIS²⁹ found that Growth Hubs can deliver a range of additional benefits, including:

- **improved co-ordination with national support programmes:** by establishing cross referral systems, joint agreements, etc., and therefore helping integrate programmes, such as Growth Accelerator and MAS into local support infrastructure. The Hub is working as part of the supply chain taking referrals from other organisations, whilst passing on opportunities to others;
- **leveraging additional funding:** securing funding from other public and private partners, including ERDF, RGF, City Deal and Enterprise Zone revenues; and
- **provision of a more locally tailored offer:** through a greater focus on addressing some of the local challenges facing local businesses that previous region-wide programmes were unable to fully address.

2.2: SOUTH EAST MIDLANDS ENTREPRENEURSHIP AND BUSINESS SUPPORT PROGRAMME

PROGRAMME DESCRIPTION:

This programme will provide tailored business support (including pre-start-up and start-up programmes) to stimulate the creation of new businesses, including knowledge based businesses and social enterprises (for example a focus on young people developing new businesses in Social Enterprise environment).

Support is also likely to include:

- enhanced enterprise and pre-start-up and start-up initiatives including enterprise awareness, coaching, mentoring provision and initiatives to support enterprise
- the provision of start-up finance early stage equity/ venture capital/ proof of concept (this would be linked to Programme Activity 2.3 and products accessed through VeloCITY).
- investment and financial readiness support;
- improved employability, recognising that not everyone accessing support will go onto start a business. This could include the targeting of specific support to groups with low Total Early Stage Entrepreneurial Activity (TEA), including women, young people (16-24) and ethnic minority groups.

Voluntary and Community Sector (VCS)

The VCS sector also has the opportunity to take on contracts from local authorities, health, regional and national sources. This sector however needs to develop the skills, partnerships and consortiums to enable this to be done effectively and competitively. VCS activity under this programme could include

1. Support for SME VCS development;
2. Access to business accommodation – a hub to share facilities and encourage cross sector working;
3. Develop sectors understanding around Impact Funds & business investment; and
4. Support for development of VCS partnership, consortium working.

CHALLENGES AND/OR MARKET FAILURE ADDRESSED:

Despite being a dynamic and entrepreneurial area, with self-employment levels above the national average and the SEM being the highest ranking LEP for enterprises surviving one year, uneven start-up rates and self-employment rates and GVA growth rates are evident

²⁹ BIS (2013) Research on Understanding localised policy interventions in business support and skills. See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/263716/bis-13-1316-understanding-localised-policy-interventions-in-business-support-and-skills.pdf

across the SEM.

Evidence shows that businesses that use business support and growth services during their formative years are more likely to flourish, gain competitive advantage and create high value companies than those that do not³⁰. Across the whole business population, take up of business support however generally remains low, with smaller businesses finding it difficult to access the benefits of well-tailored advice and support. As a result, they under value the support on offer, either do not use advice services or under use them, and have a low willingness to pay the market value that good quality impartial advice might cost. This underutilisation can have implications on the business or entrepreneur by reducing their chances of starting up or failing to exploit their growth potential.

SUMMARY OF IMPACT

It is estimated that Programme 2.2 will deliver the following outputs:

Output category	ERDF	ESF	EAFRD
No. Enterprises. Supported	160		
No. New Enterprises. Supported	120		
Enterprises Private Match	£300,000		
No. jobs created	62		53
No. of participants		1,103	
No. of unemployed		386	
No. of inactive		166	
No. of employed		331	
No. of aged 15-24		221	

2.3: SOUTH EAST MIDLANDS FINANCE FOR BUSINESS PROGRAMME

PROGRAMME DESCRIPTION:

This access to finance programme is an innovative pan-LEP response to support the creation, development and sustainability of SMEs by targeting a well-documented access to finance barrier to unlock growth aspirations and generate sustainable employment.

The programme will be delivered in partnership with the Northamptonshire, Leicester and Leicestershire, D2N2 and Greater Lincolnshire LEPs. Support that could be offered includes:

- provide loan finance to viable but un-bankable start-ups and micro-enterprises;
- provide finance readiness and business support to create finance ready and sustainable businesses, leading to successful start-ups, business growth and sustainable job creation; and,
- support business sustainability by encouraging saving for investment with a bank/building society and access to the next rung of the growth finance ladder.

In addition, SEMLEP and partners are also investigating the potential to create a Local Impact Fund which could provide a mix of investment to Voluntary Sector Organisations, complemented by a programme of tailored business and investment readiness support.

CHALLENGES AND/OR MARKET ADDRESSED:

There are a number of documented structural market failures affecting the supply of finance to SMEs which leads to a lower supply of finance than is optimal for businesses with growth potential. For example, the BIS SME Business Barometer (2012) notes that 60 per cent of businesses seeking finance had some problems in obtaining finance, whilst obtaining finance was identified as a key obstacle to success by 10% of businesses surveyed. Recent market analysis research has been conducted for the five East Midlands LEPs³¹ by Mazars to identify the rationale/demand for a pan-LEP financial instrument. The research has identified

³⁰ UK Enterprise Strategy page 35

³¹ The five LEPs being D2N2, Greater Lincolnshire, Leicester & Leicestershire, Northamptonshire Enterprise Partnership and SEMLEP

that there is a 'lending gap' for newer, lower security and higher risk enterprises leading to a sufficient level of 'un-met' finance demand from business to make a £100m intervention fund viable. The study, which included a survey of 500 businesses and interviews with 37 local stakeholders including banks and other financial institutions, found that:

- approximately 26% of surveyed businesses consider Access to Finance as an impediment to growth. The key barriers to investment include wider demand in the economy; tighter bank lending conditions; and expertise/knowledge to apply for funding;
- 20% of businesses in the East Midlands applied for financing in the past 5 years. This is a similar figure to the national proportion. Funding was largely sought from banks (80%) in the form of a loan, followed by public sector sources in the form of grants. Of those firms seeking funding, 46% had not secured any of the funding sought;
- the 'market gap' is at the 'bottom end' of the market (smaller, riskier businesses).
- there is support for a revolving Investment Fund at an East Midlands scale, if it is big enough to be viable and make a difference and it does not displace bank lending;
- there is a possible 'advice and knowledge gap' but there is a particular issue around 'investment readiness' of some SMEs seeking growth finance.

Further evidence is provided in Annex A2.3.3. Challenges and weaknesses exist that are potential barriers to future growth.

SUMMARY OF IMPACT

It is estimated that Programme 2.3 will deliver the following outputs:

Output category	ERDF
No. enterprises supported	670
No. new enterprises supported	335
No. jobs created	515

4.3.7 Anticipated outputs and results for Priority 2 and value for money considerations

Priority 2 will contribute towards delivering all of the following ERDF output and result categories and themes:

Outputs	Results
2,477 of enterprises supported	Businesses actively innovating to bring new products to the market;
657 new enterprises supported.	
288 enterprises supported to introduce new to the firm products	Increase in SME productivity; SME jobs created and business start-ups;
1,945 new jobs created	Increase in services available locally from local VCS and increase in total capacity of sector, services and support for the community.
1,432 participants	

4.3.7.1 Value for money delivered through business support schemes

A recent review of local policy Interventions for BIS³², including the Greater Manchester Business Growth Hub, included a value for money assessment based on a Green Book compliant economic appraisal of the Growth Hub submission to the Northwest ERDF Competitiveness Programme. This appraisal estimated a return on investment of circa £8.30.

The national evaluation of RDAs cost per net job for enterprise support - £8,500 and; the evaluation of the Regional Business Start-Up Programme cost per net job - £8,300³³.

³² See REFERENCE TO LPI REPORT

³³ BIS (2009) RDA Impact Evaluation, prepared by Price Waterhouse Coopers

4.4 Priority 3: Developing a low carbon economy

PRIORITY 3 OVERVIEW		
AIM	To build the market in low carbon environmental goods and services, non-domestic sector deployment of low carbon technologies, whole place low carbon solutions and low carbon innovation. This will include embedding low carbon technologies and promote eco-efficiencies across all business growth activities.	
THEMATIC OBJECTIVE(s) ADDRESSED	TO4: Low carbon economy TO5: Climate change adaptation (resource efficiency) TO1: Innovation, technology development research TO3: SME competitiveness EAFRD: Article 20: basic services in rural areas: investments in the creation, improvement or expansion of all types of small scale infrastructure.	
RATIONALE	The opportunity	The challenge
What are the key barriers to growth and opportunities and why is ESIF required?	<p>Growing renewables sector within the SEM and the area is recognised for its high value nature and bio-diversity, as well as for its cultural heritage.</p> <p>Eco-innovation' supports sustainable economic growth, delivering new products and services with lower impacts on the environment.</p> <p>Research repeatedly identifies the high cost savings and short payback periods to investment in resource efficiency, with this lack of investment harming competitiveness and economic growth.</p> <p>Housing retrofit offers an opportunity to help drive local economic growth, unlock new private investment, support new jobs and create a workforce with new skills.</p>	<p>Energy efficiency activities are needed as many SMEs face high and fluctuating energy costs which seriously affect profitability and in some cases the viability of businesses.</p> <p>To stimulate low carbon product developments, encouraging innovative consumption patterns in SMEs and increase the uptake of resource efficiency processes.</p> <p>To help meet government targets of retrofitting nearly 14 million UK homes with energy efficiency technology by 2020.</p> <p>To creating more and better quality housing.</p>
KEY PROGRAMME ACTIVITIES	Programme Activity 3.1: Low carbon resource and energy efficiency programme; and Programme Activity 3.2: Social Housing Retrofit Programme	
FUNDING	£6.57m indicative ESI Fund financial allocation (£6.25m ERDF, £0.54m EAFRD)	
ADDITIONALITY	Working with key partners, such as the Green Investment Bank, research institutes and the private sector, we will focus our activities on potential opportunities on where additional funding will generate improved outcomes (e.g. increased profitability / reduced carbon emissions).	
OUTPUTS & RESULTS	Outputs	Results
	<ul style="list-style-type: none"> 475 enterprises supported 183 new jobs created 365 enterprises implementing resource efficiency £750,000 estimated private sector match 2ha infrastructure site development 	<ul style="list-style-type: none"> Businesses actively innovating to bring new products to the market (e.g. low carbon) Increase in SME productivity; SME jobs created & business start-ups (low carbon); Increase in companies deploying low carbon practises, processes, services or products

4.4.1 Context:

Decarbonising the economy plays a key part in the Government's aim to achieve sustainable and balanced growth, with a focus on maximising the opportunities and minimising the costs of the green economy transition³⁴. This is in line with Europe 2020 strategic priorities, specifically the priority to promote a more resource efficient, greener and more competitive economy. In the area of Low Carbon relevant EU goals by 2020 are:

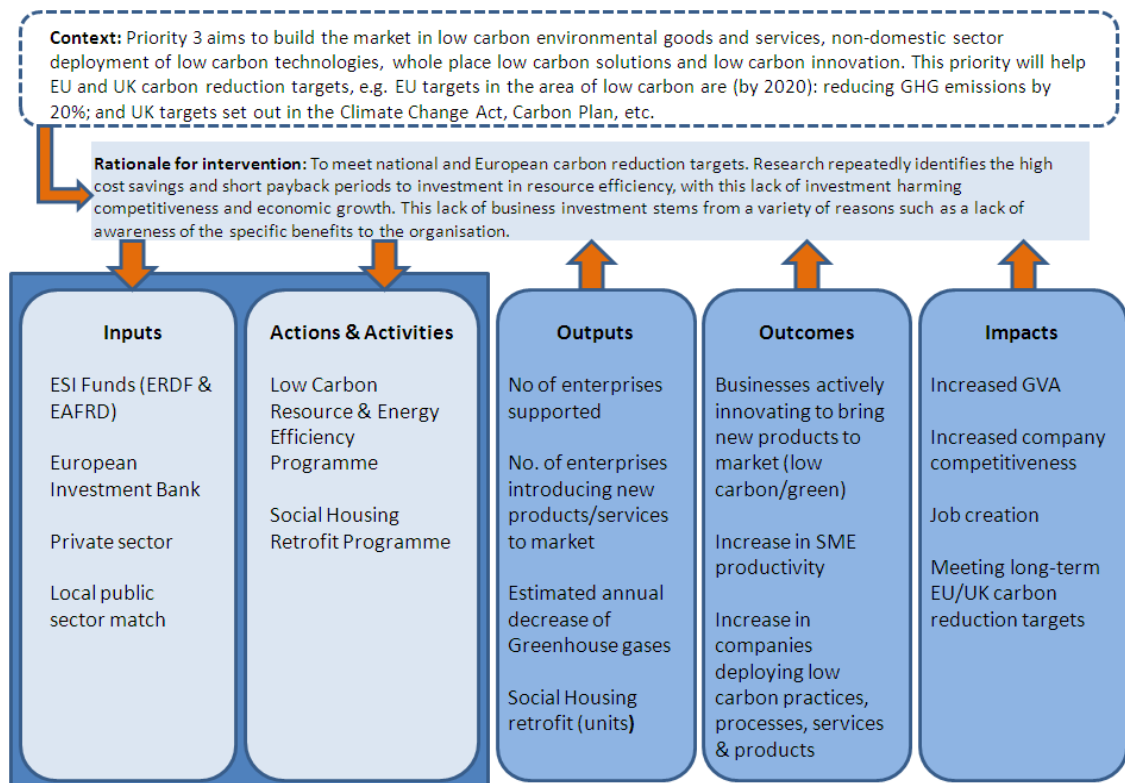
- reducing Green House Gas (GHG) emissions by 20% compared to 1990 levels;
- increasing the share of renewables in final energy consumption to 20%; and
- moving towards a 20% increase in energy efficiency.

The UK has targets in each of these three areas by 2020, relevant to the EU Programmes in the period 2014-2020, including: reducing GHG emissions by 34% compared to 1990 levels; increasing the share of renewable energy to 15%; and enhancing the energy efficiency of homes, business and transport.

Optimising the use of resources through reducing, reusing and recycling more generally improves business performance in terms of resilience, profitability and/ or competitiveness. Investment in resource efficiency and 'eco-innovation' supports sustainable economic growth, delivering new products and services with lower impacts on the environment. The UK has a fast growing clean technology business sector, with leading eco-innovation areas being renewable energy, energy efficiency, and waste recycling. Through alignment with Priority 1 investment in low carbon technologies our ESIF Strategy aims to build on this expertise and promote growth through supporting further development and uptake of new and existing technologies to tackle key environmental challenges.

Figure 4.3 presents a logic model for Priority 3, setting out its rationale, objectives and its target outputs, results and growth impact.

Figure 4.3 Priority 3 logic model



³⁴ See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/232306/13-1049ann-framework-of-european-growth-programme-priorities.pdf for further information.

4.4.2 Priority aims and objectives

A key objective of Priority 3 is to build the market in low carbon environmental goods and services, non-domestic sector deployment of low carbon technologies, whole place low carbon solutions and low carbon innovation.

The focus of this priority is therefore to help build the market in low carbon environmental goods and services, non-domestic sector deployment of low carbon technologies, whole place low carbon solutions and low carbon innovation.

This priority aims to embed low carbon technologies and promote eco-efficiencies across all business growth activities. This priority will also support the development of the renewable energy supply chains, low carbon social enterprises and businesses to improve environmental performance and resource efficiency. This priority (supported by the interventions proposed under Priority 5) will also support adaptation skills for all sectors to support low carbon transition.

4.4.3 Rationale for Priority 3

There is a growing renewables sector within the South East Midlands and the area is recognised for its high value nature and bio-diversity, as well as for its cultural heritage. This strengthens the opportunities for sectors which depend on that reputation but only if the area develops a wider sense of what the 'low carbon economy' means – not only focusing on renewable generation, but on energy efficient installations and technology, on supply chains, on low carbon product developments (e.g. design/manufacturing), on reducing waste in terms of materials, energy and resources such as water, and on encouraging innovative consumption patterns in SEM SMEs.

Building a low carbon economy is contingent on physical and human resources and on both high quality RTDI (see Priority 1) and on skills development (for example, environmental technologies, low carbon vehicles). The focus could be on supporting the development of low carbon products, processes and services which will contribute to aiding sustainable growth. Business support may be required to take advantage of the opportunities that access to new research and technology and infrastructure bring. There is also huge potential for designing and manufacturing products that would help create a circular "cradle to cradle" economy. This would mean developing materials that can be re-used over and over again without losing their quality; and creating business models that involve collecting used materials for re-use.

As highlighted in Annex 2 A2.5 Low Carbon Economy research repeatedly identifies the high cost savings and short payback periods to investment in resource efficiency, with this lack of investment harming competitiveness and economic growth (e.g. research by E-ON 2011, suggests that UK small businesses are losing £7.7bn a year by failing to install simple energy efficiency measures. This lack of investment stems from a variety of reasons such as a lack of awareness of the specific benefits to the organisation.

In line with the UK's carbon reduction targets, the Government is committed to tackling housing and building stock that is poorly insulated in order to improve the energy efficiency of local homes and businesses while addressing the cost barrier of upfront costs. Retrofit is a vital part of the development of a green economy and offers an opportunity to help drive local economic growth, unlock new private investment, support new jobs and create a workforce with new skills. To provide an idea of the scale of the opportunity, the estimated retrofit costs to achieve an 80% carbon reduction from existing UK building stock is in the range of £200 to £400 billion³⁵.

Further detail on the rationale for investment in Priority 3 activities is provided in Annex 2 Section A2.5 Low Carbon Economy.

³⁵ See SEMLEP Green Economy Proposal (2012)

4.4.4 Strategic alignment and fit with national policy interventions

The activities proposed under this priority will be closely aligned to those proposed under Priority 4 – Infrastructure for Growth and the following priorities of the EU Strategy:

- Priority 1 in order to accelerate the development, innovation, adoption and deployment of low carbon technologies and related supply chains/ infrastructure; (including support to SMEs to deploy local carbon solutions and support to diversify technologies from one sector to another and support business to engage in knowledge transfer with HEIs and FEIs to encourage commercialisation of Low Carbon technologies).
- Priority 2, to build the market in low carbon environmental technologies, goods and services including via domestic retrofit, and
- Priorities 5 and 6, for example:
 - skills/employment for retrofitting and low carbon heating, encouraging transferability of skills across sectors (e.g. motorsport and renewable technologies);
 - sustainable land management skills;
 - development of skills centres for renewable energy training;
 - skills/ employment development for low carbon including via Higher Apprenticeships, University Technical Colleges and placements/ working with industry;
 - help those without jobs and labour market entrants gain accredited low carbon skills/ employment;
 - skills for low carbon new build and alternative construction method;
 - adaptation skills for all sectors to support low carbon transition including eco-innovation and skills to drive change.

This priority will help EU and UK carbon reduction targets, e.g. EU targets in the area of low carbon are (by 2020): reducing GHG emissions by 20%. To support the delivery of these targets the UK Government has established a range of policies and programmes, which the ESIF Strategy for 2014-20 will aim to complement and add value to where applicable, including:

- **GHG emissions target:** the Climate Change Act 2008; the UK Carbon Plan; the Carbon Price Floor, the Heat Strategy; the Forestry & Woodlands Policy Statement; and the Greenhouse Gas Action Plan for Agriculture;
- **Renewable Energy target:** Renewables obligation and feed-in tariff for electricity, Renewable Heat Incentive;, Renewable Transport Fuel Obligation; and the Gas Generation Strategy;
- **Energy Efficiency target:** key policies include: Enabling the Transition to a Green Economy and the accompanying Policy Timeline³⁶; the establishment of the UK Green Investment Bank; Green Deal; The Energy Efficiency Strategy (including Electricity Demand Reduction);
- **Heating for buildings and industrial decarbonisation:** including The Future of Heating: A strategic framework for low carbon heat in the UK³⁷; and The Future of Heating: Meeting the Challenge³⁸;
- **Resource efficiency:** Investments to support resource efficiency are key to delivering the European Roadmap on resource efficiency, which provides milestones for waste, air, land and water to achieve sustainable growth and a shift towards a resource-efficient, low-carbon economy. The UK's Resource Security Action Plan aims to develop better coordination between government and industry and to make sure businesses are armed with good information about the availability of resources to make the right choices.

³⁶ See http://www.businesslink.gov.uk/Horizontal_Services_files/Enabling_the_transition_to_a_Green_Economy_Main_D.pdf

³⁷ See <https://www.gov.uk/government/publications/the-future-of-heating-a-strategic-framework-for-low-carbon-heat>

³⁸ See <https://www.gov.uk/government/publications/the-future-of-heating-meeting-the-challenge>

4.4.5 Additionality

Our aim is to maximise public and private sector investment in resource efficiency and 'eco-innovation' activities proposed under Priority 1, given the key role it plays in supporting sustainable economic growth and delivering new products and services with lower impacts on the environment. Working with key partners, which could include the Green Investment Bank, DECC, research institutes and the private sector, we will focus our activities on potential opportunities on where additional funding will generate improved outcomes. The Velocity Growth Hub will also provide a key mechanism to improve the volume of engagement with national and sub-national business support programmes, which should increase the take up by beneficiary SME.

4.4.6 Indicative programme activities

Two programme activities are proposed under Priority 3:

- Programme Activity 3.1: Low carbon resource and energy efficiency programme; and
- Programme Activity 3.2: Social Housing Retrofit Programme.

3.1: LOW CARBON RESOURCE AND ENERGY EFFICIENCY PROGRAMME

PROGRAMME DESCRIPTION:

The Low Carbon Resource and Energy Efficiency Programme aims to promote greater energy and resource efficiency in the use of resources (energy, water, materials, 'carbon neutral housing'). Through a combination of business reviews, practical advice, awareness-raising activities, tailored on-site support (including on-going help with implementing improvements), information services and advice, the Programme provides tailored business support to SMEs looking to reduce their resource costs, leading to increased productivity, and competitiveness and reputational gains.

The Programme will help businesses/organisations tackle barriers to the implementation of resource efficient technologies (linked to Priority 1) and business processes helping reducing carbon emissions.

This will include activities such as:

- actions to promote greater energy and resource efficiency in the use of resources (energy, water, materials, 'carbon neutral housing') and assistance for businesses to establish and develop environmental management systems (for example, energy efficiency in enterprises including industrial processes, designing out waste, recovery of 'waste' heat energy);
- schemes to support low carbon modal shift/ smarter choices, smart systems, electric/ ultra-low carbon vehicle infrastructure and supply chain development;
- moving to renewable and low carbon fuels to generate heat and power;
- actions aligned to the Government's Waste Prevention Programme which drive low carbon innovation in relation to waste and re-use.
- ICT applications that contribute to reducing carbon emissions and energy efficiency and low carbon modal shift/smarter choices, smart systems, (for example, links into low carbon vehicle infrastructure/technologies and supply chain development);
- building retrofit and energy efficiency especially whole building solutions exemplifying next phase technologies which are near to market (linked to Priority 1 Low Carbon Innovation Support Programme);
- SME Social Enterprise focus on new low carbon technology to:
 - reduce individual Carbon footprints;
 - creating low carbon, low energy use Social Housing technology;
 - information dissemination through its access to communities;

- supporting VCS with local plans designed to reduce the carbon footprint;
- VCS organisations and community projects to take on low carbon solutions and practices; and
- creating local activity and local preservation of natural assets, accessible for local communities.

Local businesses (including those operating in the low carbon goods and services sector) will also be targeted for our support packages delivered under the **Velocity Business Growth Hub** (e.g. Manufacturing Advisory Service), where an important priority is to embed resource efficiency into manufacturing supply chains across the South East Midlands.

Potential role of EAFRD funding

Under this programme **EAFRD investment could be used to support the following small-scale low carbon and renewable initiatives.**

- provide support or access to finance for local projects to support renewable energy initiatives;
- capital investment in low carbon economy: energy efficiency equipment, waste recycling;
- investment in facilities or activities to lower environmental impacts; demonstration activities;
- support uptake of renewable energy technologies within rural SMEs in LEP's priority sectors; and
- support for small-scale community renewable energy projects.

Role of the VCS sector

The VCS has a number of roles which help in promoting a low carbon economy. For example, there is the opportunity for low cost or low technology solutions, using the Social Enterprise and not for profit business model to develop new technology at a low cost, accessible particularly to those on low incomes. The reach of the sector into communities can enable the roll out of low carbon solutions, and mobilize the communities to engage and undertake the solutions. Reaching into communities can also be a way of engaging and enabling existing knowledge of good practice to reduce carbon usage, and household energy bills. With regard to renewables such as wood fuels these initiatives could meet a number of the EAFRD priorities, for example, providing skills, knowledge transfer and the development of supply chains or co-operative as well as small scale capital investment.

Activities supported under this programme will be closely aligned to the activities proposed under Priority 1, Priority 2, Priority 5 and Priority 6.

CHALLENGES AND/OR MARKET ADDRESSED:

Energy efficiency activities are needed as many SMEs face high and fluctuating energy costs which seriously affect profitability and in some cases the viability of businesses. Research repeatedly identifies the high cost savings and short payback periods to investment in resource efficiency. Despite this economic benefit, operators (businesses, public sector organisations and civil society) do not invest in resource efficiency to the levels that might be expected, harming competitiveness. For example, research commissioned by Defra³⁹ estimates that £23bn could be saved annually through no or low cost actions to reduce waste and use energy resources more efficiently. Envirowise estimate that inefficient use of resources costs UK industry £15 billion per year, equating to over £4 million per day, whilst the Carbon Trust estimates that UK industry wastes £7 million per day on poor energy efficiency.

The area needs to develop a wider sense of what the 'low carbon economy means'-not only focussing on renewable energy, but on energy efficient installations and technology, on

³⁹ See www.gov.uk/government/news/research-shows-companies-can-save-money-by-helping-the-environment

supply chains, in low carbon product developments and on encouraging innovative consumption patterns in SMEs.

The report 'Combating Climate Change - a role for UK forests'⁴⁰ sets out the forestry sector's potential contribution to climate change mitigation through carbon sequestration in growing biomass and locally grown products for the construction sector – particularly that associated with new woodland through carbon storage in harvested wood products and wood products substituting for materials with high embodied carbon and wood-fuel substituting for fossil fuels directly.

Annex 2.5 Low carbon economy provides further detail on the rationale for investment.

SUMMARY OF IMPACT

It is estimated that Programme 3.1 will deliver the following outputs:

Output category	ERDF	EAFRD
No. enterprises supported	475	
No. new enterprises supported	95	
No. jobs created	183	20
No. of enterprises investing in resource efficiency	365	
Private sector match	£750,000	

3.2: SOCIAL HOUSING RETROFIT PROGRAMME

PROGRAMME DESCRIPTION:

The Social Housing Retrofit programme aims to support energy conservation and generation in existing social housing. It will seek to harness the best national, regional and local expertise and experience and delivering the best economic and carbon reduction outcomes. For example, the programme will support the adoption of domestic energy efficiency and low carbon construction techniques, including ultra-low carbon exemplar demonstrator buildings (e.g. insulation, external wall cladding, heat recovery, on- and off-site renewable energy generation and solar water heating). Adaptations need to be above standard energy efficiency measures such as double glazing or loft lagging.

Discussions are currently on-going with local authorities, developers, housing associations and Energy Savings Trust to further develop this programme. Match funding would be provided from a combination of sources including local authority budgets and working with energy suppliers to make use of their commitments to government targets and social agenda. For example, discussions have identified the following potential projects:

- Luton Borough Council has an approximately £2.5m grant from HRA to retrofit its own Council housing stock that could be used as match funding.
- investigating the potential for energy suppliers for contributions from their "social obligations" funding; and
- private match from housing associations that wish to retrofit for their own properties

This programme could be strongly aligned to Priorities 1 and 4 in terms of demand stimulation and to accelerate the development, innovation, adoption and deployment of low carbon technologies and related supply chains / infrastructure. This programme will also be closely aligned to our proposed labour market and skills Priorities 5 and 6, for example, skills/employment for retrofitting and low carbon heating and actively encouraging delivery partners in the provision of apprenticeships. Tenants will be trained to maximise the impact of these improvements.

⁴⁰ http://www.tsoshop.co.uk/gempdf/Climate_Change_Main_Report.pdf

CHALLENGE ADDRESSED:
<p>In line with the UK's carbon reduction targets, the Government is committed to tackling housing and building stock that is poorly insulated, with Green Deal the Government's national initiative designed to significantly improve the energy efficiency of local homes and businesses while addressing the cost barrier of upfront costs. To provide an idea of the scale of the opportunity, the estimated retrofit costs to achieve an 80% carbon reduction from existing UK building stock is in the range of £200 to £400 billion⁴¹.</p> <p>Retrofit is a vital part of the development of a green economy and offers an opportunity to help drive local economic growth, unlock new private investment, support new jobs and create a workforce with new skills. The Government has estimated that around 65,000 Green Deal Advisors and installers will need to be skilled and qualified to retrofit nearly 14 million UK homes with energy efficiency technology by 2020, which has implications for local training provision and the need to provide the coordination and linkages to ensure local Green Deal opportunities evolve successfully⁴².</p>
SUMMARY OF IMPACT
Improved and energy efficient housing stock, reduced energy costs for tenants and reduction in carbon impact.

4.4.7 Anticipated outputs and results and value for money considerations

Priority 3 will contribute towards delivering all of the following ERDF output and result categories and themes:

Outputs	Results
475 enterprises supported	Businesses actively innovating to bring new products to the market (low carbon / green technologies);
95 new enterprises supported	
183 new jobs created	Increase in SME productivity; Increase in SME jobs created; Increase in business start-ups (low carbon);
365 enterprises implementing resource efficiency	Support for enterprises in development of ICT products and services including broadband;
£750,000 estimated private sector match	Increase in companies deploying low carbon practises, processes, services or products
	Improved energy efficiency from communities and individuals
	Increased market, market access/penetration for low carbon solutions
	Poverty reduction through lower household expenditure on energy.

We will seek to match or exceed recognised value for money benchmarks⁴³ relevant to Priority 3 activities. For example, the RDA Impact research identified that for every £1 spent on sector/cluster support generates a return of £8.70 and for every £1 spent on construction output over £2.80 in total economic activity is generated (UK Contractor's Group in 2009).

Analysis of resource efficiency business support initiatives operating across the UK indicate that, in terms of value for money, resource efficiency programmes represents a very efficient use of funding when benchmarked against other various strands of business support (see table overleaf).

⁴¹ See SEMLEP Green Economy Proposal (2012)

⁴² See SEMLEP Green Economy Proposal (2012)

⁴³ *Impact of RDA spending*, National report, Volume 1, Main Report, DBERR, 2009.

Programme	Cost per Businesses Assisted	Cost per CO2 Savings (tonnes)
Enworks Environmental Business Support Programme (North West)	2,257	0.02
Yorkshire & Humber Resource Efficiency Programme	4,651	0.02
Generic business support	9,705	--

4.5 Priority 4: Infrastructure for Growth

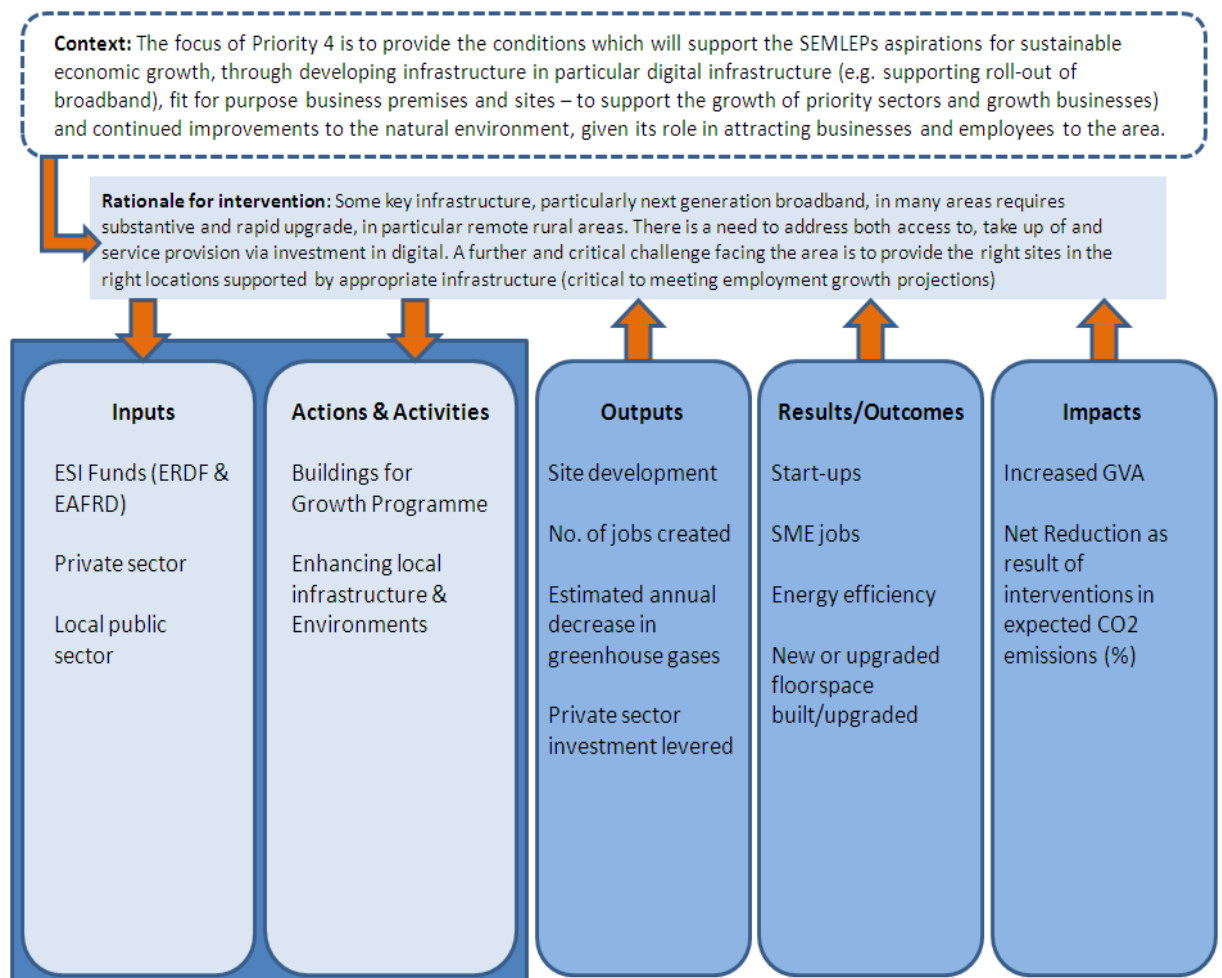
PRIORITY 4 OVERVIEW		
AIM	To provide the conditions which will support the SEMLEPs aspirations for sustainable economic growth, through developing infrastructure in particular fit for purpose business premises and sites and continued improvements to the natural environment, given its importance in attracting new businesses and employment to the area.	
THEMATIC OBJECTIVE(s) ADDRESSED	TO1: Innovation, technology development research (business premises); TO4: low carbon economy; TO5: Climate change adaptation; TO6: Environmental Protection; EAFRD: <ul style="list-style-type: none"> Article 20: investments for public use in recreational infrastructure, tourist information and sign-posting of touristic sites and small scale tourism infrastructure. Article 35 development and/or marketing of tourism services relating to rural tourism. 	
RATIONALE	The opportunity	The challenge
What are the key barriers to growth and opportunities and why is ESIF required?	Developing a pipeline of delivery ready employment sites to cater for the growing economy. Maximising the investment opportunities. To plug the gap arising from the evident 'market failure' in financing development projects. Increase in the amount of land/buildings brought back into use and development ready. Increase in job creation and GVA growth through the provision of 'fit for purpose' space to support the growth aspirations of our businesses.	To provide the right sites in the right locations supported by appropriate infrastructure. To address market failures in regenerating our key urban centres and bringing employment sites to development readiness. To increase development activity, expanding and improving our employment and commercial assets to fit the needs of our residents and the growing economy. To deliver sustainable and green sites to attract investment and facilitate climate change adaptation and mitigation.
KEY PROGRAMME ACTIVITIES	Programme Activity 4.1: Buildings for Growth Programme Programme Activity 4.2: Enhancing Local Infrastructure and Environments	
FUNDING	£6.508m indicative ESI Fund financial allocation (£5.225m ERDF, £1.070 EAFRD).	
ADDITIONALITY	ERDF will enable the plugging of the gap arising from the evident 'market failure' in financing development projects in our key strategic growth areas. Addressing this gap will enable development projects to proceed which would otherwise not happen in the current environment, thereby accelerating economic development. In all cases ERDF will be a key part of a complementary co-investment funding package to deliver projects.	
OUTPUTS & RESULTS	Outputs	Results
	<ul style="list-style-type: none"> 4ha Site development (including green infrastructure) £500,000 private sector investment levered Estimated annual decrease of Greenhouse Gases (GHG) (Tonnes of CO² equivalent) 	<ul style="list-style-type: none"> Increase in SME jobs & productivity Increased energy efficiency Increased GVA

4.5.1 Context:

The South East Midlands has the greatest concentration in the UK of areas rated as having strong prospects for economic growth. Our polycentric territory of similar and inter-related urban economies with their rural hinterlands has a heritage of new town development and constitutes what is in effect a garden city-type environment on a grand scale, providing homes and work in settings that are sustainable and attractive to families, investors and businesses. Together with our strategic location, previous infrastructure investment, site availability and local “know how”, this provides a uniquely strong platform for economic development and our ambitious programme of large-scale growth in jobs.

Figure 4.4 presents a logic model for Priority 4, setting out its rationale, objectives and its target outputs, results and growth impact.

Figure 4.4 Priority 4 logic model



4.5.2 Priority aims and objectives

The focus of Priority 4 is to provide the conditions which will support the SEMLEPs aspirations for sustainable economic growth, through developing infrastructure in particular fit for purpose business premises and sites and continued improvements to the natural environment, given its importance in attracting new businesses and employment to the area.

Enhancing voluntary action to care for the local environment and protect the biodiversity and special places of interest across the SEM area. Promoting community and voluntary groups in adapting to climate change by increasing the capacity across communities to offer support and mitigate the worse extremes of weather and reduce fuel poverty by increasing the efficiency of our homes and travel.

Investments in green infrastructure can deliver a wide range of benefits that outweigh costs, even when considering opportunity costs. In 2000 it was estimated that UK habitats received 3.2 billion visits estimated at over £10 billion⁴⁴. Our own evidence⁴⁵ sets out the important role of the natural environment in delivering the area's economic priorities. This priority will therefore include investments in Green Infrastructure as part of integrated actions for sustainable development to support better places for people to live, work and do business. This will include encouraging new, more sustainable patterns of tourism (where this is not supported by the Rural Development programme).

Our programme of investment will not include capital investment (e.g. hard-wiring) to enhance digital connectivity for business and residential premises. However, business support and demand stimulation activity forms a key component of activity under Priority 1 where businesses, communities and individuals can access support to enhance access and take-up of digital opportunities. The digital inclusion agenda will also be supported under Priority 6, with an important role identified for the Voluntary and Community Sector (VCS).

4.5.3 Rationale for Priority 4

A critical challenge facing the area is to provide the right sites in the right locations supported by appropriate infrastructure. The difficult economic circumstances make this a challenge for partner Councils, other public sector partners and private sector partners, funding bodies and employers alike. The importance attached to economic growth is a key consideration for SEM evidenced by the designation of Northampton's Waterside as an Enterprise Zone. The major employment sites proposed and coming forward through Local Plans and Core Strategies, will deliver approximately 3,000 hectares of business floor space over the next 20 years. The highways and internet connections for these strategic sites will be essential in attracting businesses to the area.

This priority also reflects the importance of investment in key sub-regional green infrastructure projects; including enhancements to cycle-ways and cultural and heritage facilities and sites. Investing in multi-functional green infrastructure and sustainable sites has got a number of potential benefits including supporting green/low carbon economy and attracting investment. Indeed, the quality of the natural environment forms a key part of the SEM 'offer' for businesses seeking to locate in the area. Delivering sustainable and green sites also has the potential to facilitate climate change adaptation and mitigation.

Further detail on the rationale for investment in Priority 4 activities is provided in Annex 2, in particular:

- A2.6: visitor economy
- A2.9.6: the rural economy and access to services
- A2.3.4: the importance of employment land for driving growth across the SEM

4.5.4 Strategic alignment and fit with national priorities

Priority 4 is closely aligned to Priority 1 in terms of providing suitable business premises (such as innovation facilities) to support the growth of key businesses and sectors; and priority 3 in terms of supporting the drive towards a low carbon economy. Similar to Priority 3, this priority will play an important role in helping EU and UK carbon reduction targets, e.g. EU targets in the area of low carbon which are (by 2020): to reduce GHG emissions by 20%; The UK Government has set out a comprehensive suite of policies to achieve the above targets (e.g. Climate Change Act, Carbon Plan). In addition, it will play a key role in supporting the priorities of the SEMLEP Infrastructure Plan and infrastructure themes of the emerging Growth Strategy / Strategic Economic Plan.

⁴⁴ Barnes et al (2010) A report on technical efficiency at the farm level 1989 to 2008

⁴⁵ SEMLEP (2013) It's the economy, naturally: The relationship between the environment and the economy in the South east Midlands

There will also be an opportunity to align ERDF (and EAFRD) investment in green infrastructure with ESF skills and labour market provision proposed under priorities 5 and 6, for example:

- Training and support for unemployed and disadvantaged groups to engage in supporting actions, e.g. habitat restoration and enhancement schemes;
- Training tools to educate non-biodiversity decision-makers, general public and SMEs on environment issues for their work;
- Support to engage and train NEETS in habitat and built heritage restoration and enhancement schemes that foster aesthetic, touristic and environmental value;
- Preparing for reuse and maintenance;
- Support to engage and train priority groups in habitat and built heritage restoration;
- Educate residents on the importance of habitat and nature improvements for tourism.

The programme activities proposed under Priority 4 of our ESIF Strategy will be developed to align with and complement national priorities and programmes with the aim of adding value to existing support:

- **Natural Environment White Paper (NEWP)** “The Natural Choice: securing the value of nature” which sets out an ambition to put a stop to decades of environmental degradation and to start rebuilding natural capital.
- **Biodiversity 2020:** A strategy for England’s wildlife and ecosystem services builds on this and provides a comprehensive picture of how Government is implementing international and EU commitments.
- **National Planning Policy Statement (NPPF)** which sets out national planning policies on a wide range of issues that have a relevance to landscape.
- **Defra’s ‘zero waste’ economy for England** sets out a comprehensive review of waste policies and ambitious waste goals for 2014–20.

Across the South East Midlands, there is a strong track record of local environmental activity and leadership, and an outward looking approach by the environmental sector. In partnership with the area’s four Local Nature Partnerships⁴⁶, SEMLEP has launched **‘It’s the Economy, Naturally’**, a report which explores the relationship between environment and economy across the South East Midlands and which sets out the strategic objectives for the natural environment of the South East Midlands.

As part of an evaluation of our draft European Structural Investment Fund Strategy, SEMLEP agreed to host a workshop to complete level 1 of the Local Environmental and Economic Development toolkit which was designed by the Environment Agency and Natural England to support those responsible for strategy development to identify the environmental opportunities and threats posed to the delivery of the strategy, and possible solutions to these. The key opportunities identified form part of our investment activity proposed under Programme 4.2: Enhancing Local Infrastructure and Environments, and include environmental enhancement to support economic development; improving the capacity of regulating ecosystem services; R&D to improve natural resource efficiency (see Priority 1 and 3); and developing a SEMLEP carbon “offsetting” scheme.

4.5.5 Indicative programme activities

Two programme activities are proposed under Priority 4:

- Programme Activity 4.1: Buildings for Growth Programme
- Programme Activity 4.2: Enhancing Local Infrastructure and Environments

⁴⁶ There are four Local Nature Partnerships covering the South East Midlands area; the Bedfordshire Local Nature Partnership, the Buckinghamshire and Milton Keynes Local Nature Partnership, the Northamptonshire Local Nature Partnership, and the Oxfordshire Local Nature Partnership

4.1: Buildings for Growth Programme

PROGRAMME DESCRIPTION:

The Buildings for Growth Programme will focus on providing businesses with access to high quality business premises including enterprise/incubation centres/facilities and services, move-on accommodation.

Given the current indicative allocation for this programme, activity is likely to focus on the retrofit/refurbishment of existing business premises, including those in the SEMs town centres. Funding could be used for a variety of purposes, such as remediation work, service connection and other infrastructure and site access. Some site assembly may also be necessary as well as site preparation work to meet planning requirements and there is also a need for preparatory work (design, planning, site investigation etc.) on sites to enable them to be bought forward for development. This programme could operate as a grant or loan programme offering finance to both private and public sector organisations wanting to create new employment floor space – either through new developments (e.g. bringing forward well located sites for development, which may have stalled for a variety of different reasons and funding / finance is required to bring them to a developable standard) or bringing existing buildings and facilities into productive use.

MARKET FAILURE / BARRIER ADDRESSED:

Providing employment space, town centre regeneration, digital infrastructure and improving local and major transport networks (including road, rail and bus) are common themes identified in a review of SEMLEP local authorities' economic development plans and other related strategies.

The rate of growth of new commercial development is linked to the planning process as well as the general economic climate affecting developers' investment priorities. In SEM, just over half (51.6%) of planning decisions of major developments are made within 13 weeks. This is lower than national levels (GB) at 57.7%. There are significant variations locally with, for example, 75% of major planning applications being dealt with within 13 weeks in Northampton compared to 26% in Cherwell.

Regeneration of the nation's town centres is a top priority for the government and for South East Midlands economy. Across the country many town centres face challenges of vacant units and many have become 'ghost' town centres with lots of vacant signs and closed shops. Out of town shopping centres have posed a challenge to town centres.

SUMMARY OF IMPACT AND VALUE FOR MONEY

Outputs to be delivered under this programme activity include:

Output	ERDF
Site Development (hectares)	2
Ents. Private Match	500,000

To maximise the value for money of such investment, we will work closely with the Homes and Communities Agency, local authorities and the private sector to package enabled sites, where appropriate, and present them to the market.

4.2: Enhancing Local Infrastructure and the Environment

PROGRAMME DESCRIPTION:

The enhancing local infrastructure and the environment programme will play a key role in creating a setting for growth and investment. It will include a programme of green infrastructure interventions targeted in areas to open up land for development, reduce flood risk, etc. (for example, the rehabilitation of land and regeneration of brownfield sites and

redundant buildings in rural communities). Activities proposed will align with the LEP's priorities for low carbon (e.g. the use of green infrastructure to adapt to climate change impacts).

Activities are likely to include a mix of investments such as:

- **A cross SEMLEP programme of investment in green infrastructure** projects that would aim to deliver benefits especially in terms of attracting inward investment by businesses, and supporting jobs in the tourism industries. This could include:
 - new and enhanced recreational routes and infrastructure that attract business. For example restored and safeguarded rivers, habitats with improved ecological status, initiative to improve air quality;
 - the rehabilitation of land and regeneration of brownfield sites (linked to Programme Activity 4.1)
 - environmental enhancement to support economic development;
 - improving the capacity of regulating ecosystem services;
 - improving resilience to extreme climatic events;
 - R&D to improve natural resource efficiency;
 - including ecosystems services on the skills agenda; and
 - developing a SEMLEP carbon “offsetting” scheme
- **Tourism infrastructure:** we have allocated 30% of the EAFRD allocation toward tourism development. This activity and the developing of rural businesses run hand in hand and as a consequence take up 70% of the fund allocation across the two activities. For the Bedfordshire LAG 60% of the RDPE programme was on tourism related initiatives. Some research that NGAGE has carried out around self-catering operators in Aylesbury Vale and north Bucks indicate that demand for self-catering accommodation outstrips supply significantly and many operators are reporting 90% plus occupancy rates with a business norm at 50%. Even seasonal tourism accommodation providers are finding high demand. There may be an opportunity to focus on collaborative promotion of the SEMLEP rural area at the landscape scale to promote green tourism but some clarification will be needed to ensure this type of initiative is eligible.

EAFRD will also be used to strengthen the rural economy by:

- raising awareness of and increased use of village services by residents and visitors;
- promoting the food and drink sector, both what to eat and drink and where to purchase good local products – such as meats, preserves and forging a network of farm shops;
- promoting increased public access to and use of the countryside for recreation, walking, cycling, equestrian activities, plus visiting attractions and the villages themselves as increased footfall creates an opportunity for village shops, pubs and restaurants and new craft and creative industries; and
- support appropriate economic use of listed buildings in conservation areas as attractive locations for arts and crafts, farm shops and other productive activities.

EXPLOITING OPPORTUNITIES AND ADDRESSING BARRIERS TO GROWTH

This programme of intervention aims to exploit a number of local assets and address a number of recognised barriers to growth and market failures. These are summarised below.

The quality of the natural and built environment is of critical importance to the local economy and forms a key part of the SEM 'offer' for businesses seeking to locate in the area. Investments in green infrastructure can deliver a wide range of benefits that outweigh costs, even when considering opportunity costs. According to a study by the Urban Land Institute, 95% of European real estate developers and consultants think green space adds value to commercial property, and, on average, developers are willing to pay 3% more — and in some cases, as much as 20% more — for land near green space.

Delivering sustainable and green sites also has the potential to facilitate climate change adaptation and mitigation, and therefore helps meet the requirements of the sustainable

development agenda that protects the area from damaging development and land use activity, enhances biodiversity and protects diverse and important environmental, landscape, townscape and historic features and characteristics. The Climate Change Risk Assessment⁴⁷ identifies floods, changing rainfall patterns and increased temperature as the major threats to the rural economy and agriculture.

Investment in infrastructure can increase agglomeration economies for rural businesses to a level that is comparable to that enjoyed by businesses located in more densely populated areas. However, positive externalities from agglomeration are not factored into market decision, so there is a case in principle for government support.

Specific market failures can also act as barriers to growth in other sectors of rural development such as tourism. A Deloitte report⁴⁸ suggests the ‘free rider’ problem inhibits growth in the visitor economy (e.g. businesses such as hotels in a rural town may consider other accommodation providers as competitors for business, rather than as complementary suppliers). As a result, individual accommodation providers are unlikely to invest in marketing a destination (town, region or country) as opposed to their own business within that place. By contrast, support from destination management organisations can enable better coordination of marketing activity to advertise what an area offers as a whole and attract more visitors, bringing benefits to the wider sector.

SUMMARY OF IMPACT

The main output category supported through this programme will be infrastructure site development including green infrastructure.

4.5.6 Anticipated outputs and results

Priority 4 will contribute towards delivering all of the following ERDF output and result categories and themes.:

Outputs	Results
4ha Site development (including green infrastructure)	Start-ups
Estimated annual decrease of Greenhouse Gases (GHG) (Tonnes of CO ² equivalent)	SME jobs
	Energy efficiency

Our programme of investment under Priority 4 will seek to match and/or exceed the following benchmarks:

- for every £1 spent on construction output over £2.80 in total economic activity is generated (UK Contractor’s Group in 2009); and
- every £1 investment over the lifetime of a green infrastructure project could generate £2.30 in increased GVA and £3 in increased GVA and social cost savings; rising to £10.20 when other non-market well-being is taken into account (Regeneris, 2009).

⁴⁷ <https://www.gov.uk/government/publications/uk-climate-change-risk-assessment-government-report>

⁴⁸ The Economic Case for the Visitor Economy. Deloitte, 2008

4.6 Priority 5: Developing a skilled and adaptable workforce

PRIORITY 5 OVERVIEW		
AIM	To unlock the potential of the existing and future workforce of the South East Midlands through the provision of a targeted, demand-driven approach to skills and employment initiatives that will help address current and future labour market challenges and opportunities.	
THEMATIC OBJECTIVE(S) ADDRESSED	TO8: Employment TO9: Inclusion TO10: Skills	
RATIONALE	The opportunity	The challenge
What are the key barriers to growth and opportunities and why is ESIF required?	<ul style="list-style-type: none"> The development of skills in the workforce is vital to improve productivity, competitiveness and economic prosperity. Upgrading the skills of the current workforce and increasing access to the workplace offer the opportunity to maximise the value contributed by the working population and provide ways to build on the relatively strong skills base. Opportunities to address barriers to the labour market for disadvantaged groups to harness the potential to develop a more enterprising labour market. Demographic changes particularly due to aging, means that leisure activities, healthcare and bespoke housing will all be required - employment and economic potential of this must not be overlooked 	<ul style="list-style-type: none"> Despite the excellent progress of local universities and colleges, skills levels across the South East Midlands are lower than is needed to support an aspirant and growing knowledge economy. To develop high-level and intermediate technical skills to fulfil future needs of our SMEs (including priority sectors) and drive employment and productivity; To address skill shortages faced by our businesses, including those in our four priority sectors. To tackle the wide variances that exist in the area's occupational levels and levels of economic activity and unemployment (and by particular groups) To overcome barriers to accessing the labour market that some communities/groups face (linked to Priority 6)
KEY PROGRAMME ACTIVITIES	5.1: High Level Skills for Key Sectors 5.2: Basic Skills and Employment Programme	
FUNDING	£26.661m indicative ESI Fund financial allocation (£26.34 ESF)	
ADDITIONALITY	The LEP's activity around skills (as set out in our Skills Strategy) seeks to complement, influence and add value to mainstream and ESF skills provision, both national and local in order to deliver better outcomes. Discussions have been held with the SFA and DWP to ensure that our ESIF requests follow this same approach of adding value to national provision, building on the lessons of previous effective ESF programmes and unlocking greater demand and driving responsiveness in the skills system by incentivising providing/employer behaviour.	
OUTPUTS & RESULTS	Outputs	Results
	<ul style="list-style-type: none"> 25,895 no. of participants 9,063 no. of unemployed 3,884 no. of inactive 7,769 no. of employed 5,178 no. aged 15-24 	<ul style="list-style-type: none"> No. in jobs No. in active job search No. in education/training No. gaining qualifications Increase the number of people engaged in economic activity

4.6.1 Context:

The development of skills in the workforce is vital to improve productivity, competitiveness and economic prosperity across the South East Midlands. Upgrading the skills of the current workforce and increasing access to the workplace will maximise the value contributed by the working population and provide ways to build on the relatively strong skills base. In particular, there are well documented and persistent skills gaps and difficulties in recruiting which are barriers to growth. The strategic imperative is therefore to develop the skills of the workforce in the South East Midlands as this is critical to economic, business and community development. Businesses need a skilled workforce to improve productivity and contribute to innovation and competitiveness. The economy requires an available and skilled workforce to thrive and grow. Communities benefit from individuals who are confident and competent, gainfully employed and contributing to families and society overall.

The South East Midlands offers significant opportunities to address barriers to the labour market for disadvantaged groups to harness the potential to develop a more enterprising labour market and economy. There is a clear opportunity to unlock barriers to the labour market for the 16-24 year old age group where there were almost 4,300 young people unemployed on the job seekers allowance (JSA) claimant count in the South East Midlands in the summer of 2013.

SEM is home to the South East Midlands Universities group (SEMU) – comprising; University of Bedfordshire, University of Buckingham, Cranfield University, University of Northampton and the Open University. SEMU members have developed strong collaborative working relationships delivering significant outcomes including encouraging growth through enterprise and entrepreneurship, a joint Master's programme, a joint HEFCE Catalyst Fund bid, plus developing international links, particularly with China. In relation to higher level skills development, SEMU members have an excellent record of using EU Structural Funds to support workforce development and business growth. The Universities represent an enormous source of applicable expertise relevant to SEMLEP priority sectors. Member institutions are committed to the employer research, programme development and effective delivery partnerships needed to deliver the ESIF Strategy.

Opportunity:

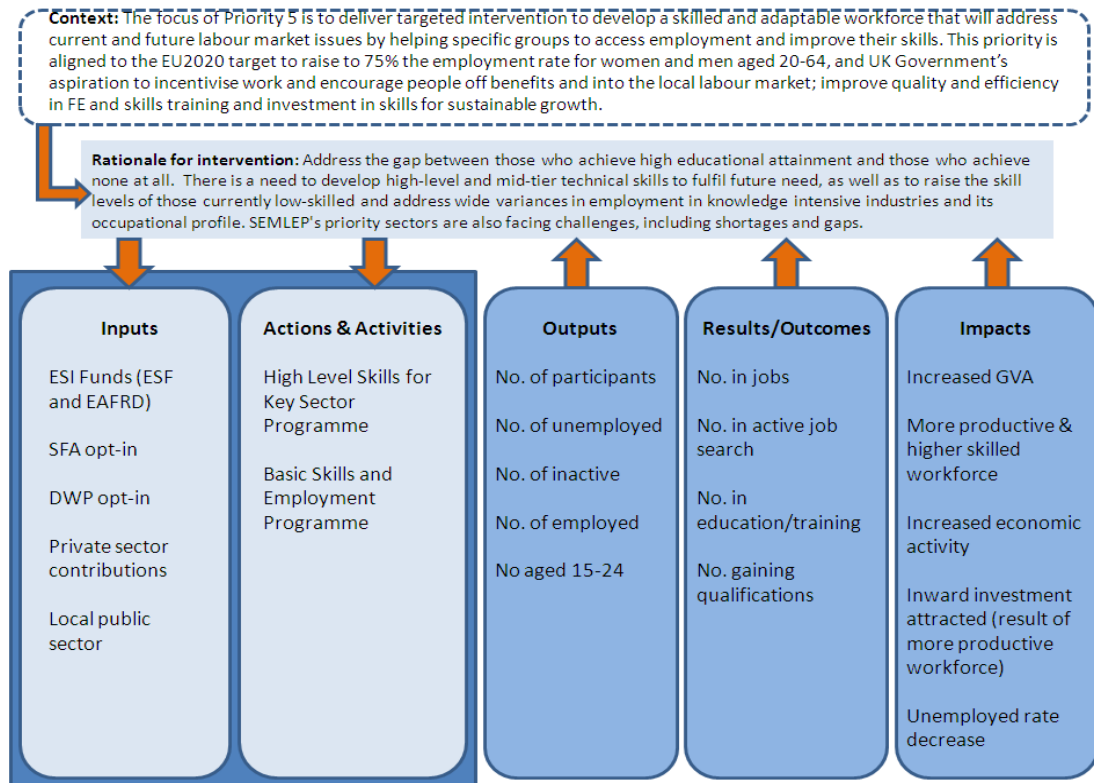
There are nine Further Education colleges across the South East Midlands: Aylesbury College, Banbury and Bicester College, Barnfield College in Luton, Bedford College, Central Bedfordshire College, Milton Keynes College, Moulton College, Northampton College and Tresham College. There is also a sixth form college in Luton. Collectively they serve a total of 77,000 students including around 26,000 young people and 3,000 young apprentices. Overall, the colleges provide training for around 6,000 companies, including most major employers in the area in addition to many small and medium sized employers (SMEs).

In addition there are more than 50 other local and national training providers delivering significant volumes of workplace skills including Apprenticeships and provision in line with SEMLEP priorities.

SEMLEP is working closely with FE Colleges, Universities and Independent Training Providers and Provider Networks, to ensure that provision better meets the needs of businesses and local communities.

Figure 4.5 presents a logic model for Priority 5, setting out its rationale, objectives and its target outputs, results and growth impact.

Figure 4.5 Priority 5 logic model



4.6.2 Priority aims and objectives

Priority 5 aims to deliver targeted intervention to develop a skilled and adaptable workforce by helping people improve their skills, secure good jobs and then progress within them. By working closely with our businesses we aim to unlock the potential of the existing and future workforce of the South East Midlands through the provision of a demand-driven approach to skills and employment initiatives that will help address current and future labour market challenges and opportunities.

In light of challenges facing the SEM labour market it is proposed that this priority will focus on two key programme activities:

1. it will deliver activities to develop high-level and intermediate technical skills to fulfil future needs of key sector SMEs and drive employment and productivity in these priority growth sectors;
2. support projects to train people who do not have basic skills and qualifications needed in the workplace, as well as raise the skill levels of those currently low-skilled.

This priority reflects the need to foster aspirational and enterprising culture, starting at an early age, promoting enterprise and innovation projects featuring successful role models to inspire individuals to fulfil their potential. This priority also recognises the need to both create the skills for new sectors but also to ensure that replacement demand for skills is met as existing people leave the labour market (e.g. taking into account the SEM future skills forecasting work).

At the heart of the SEMLEP approach to driving up skills is how the public sector and training providers integrate and work with employers to better understand their needs and help them navigate the complex skills system to meet those needs.

The programme activities proposed under this priority will build on and complement initiatives such as the the University Technical Colleges, as well as the work of all of the providers across the South East Midlands to address science, technology, engineering and manufacturing capabilities and skills in the area. There are a range of advanced technology

and manufacturing strategic interventions being currently funded in the South East Midlands to complete the national programmes, for example the new Silverstone University Technical College opened in September 2013.

4.6.3 Rationale for Priority 5

The area has capacity for population growth with significant potential for considerable employment and residential development. For example, the SEM has delivered employment at a faster rate than the wider national economy over the last decade, with over 62,000 jobs created since 2001. Based on East of England Forecasting Model 2013, the South East Midlands economy is forecast to grow by a further 123,000 jobs by 2031, with particular growth in Health and Care (105,800), Professional Services (95,500), Retail (95,000), Wholesale (85,700), and Business Services (75,200).

A key challenge for the area is therefore to meet these future growth forecasts

This will require capitalising on strength in research and growth sectors and addressing the gap between those who achieve high educational attainment and those who achieve none at all. For the economy this will mean education and training establishments working more and more in partnership with employers to tailor employment and skills support to the current and future demands of employers. This will require strengthened careers advice to young people and adults across the South East Midlands (SEM) area to ensure that they and the individuals that they support, are aware of employment and career opportunities in our growth sectors. Furthermore this will require better liaison between schools and employers to influence curriculum development.

Some areas across the South East Midlands have concentrations of residents in lower skills occupations and some employers recruit workers with higher level skills from outside the local area.

Although over half of the working age population (both residents and workers) are employed in higher skilled occupations, some areas' employment is strongly concentrated in lower skilled occupations. This, coupled with skill shortages faced by some of the key sectors and businesses reporting difficulty recruiting to skilled trades and professional/technical professions, would suggest the need to up skill those working in lower skilled/unskilled jobs (see text box below).

This will be key to meeting current and future skills demands of employers as these sectors grow and in order to attract businesses to locate in the South East Midlands as more of the working age population gain the necessary skills to meet future demand. The area also faces high levels of out commuting across significant parts of the South East Midlands and will have an impact on jobs available (jobs density) for local residents.

Supporting the skills requirements of our priority growth sectors

Given the value our four priority growth sectors offer to the South East Midlands economy in terms of Gross Value Added a key challenge is to ensure that the current skills shortages and gaps facing these sectors are addressed and future skills requirements are met. This will involve continuing to work with public and private training providers and employers to understand their needs and cut through the complexity of the current skills systems to enable these challenges to be addressed and future skills needs met. A summary of the headline skills shortages and gaps facing a number of our four showcase sectors are summarised below, with further detail provided in Annex 2, Table A2.10 'Skills supply and demand issues facing some of the SEM priority sectors'⁴⁹.

Sector	Demand	Supply	Shortages/gaps
Advanced manufacturing & engineering	Managers, directors and senior officers, production and maintenance managers, metal	Need to adapt quickly in order to keep pace with developments on the demand side.	Concentrated in particular occupations including skilled trades/craft and management occupations. Lack of practical skills in

⁴⁹ Skills challenges and issues facing SEM sectors: Adapted from SEM wide research undertaken by ICF GHK to inform the Northampton Waterside Enterprise Zone Skills Strategy and Action Plan (2012/13).

	working production, fitters, mechanical engineers.		young people such as carpentry Technological change requires higher levels of flexibility. Lack of mathematical skills for new employees Lack of engineering graduates with previous work experience
High Performance Technology/ Engineering	Ageing workforce, lack of appropriate skills and undersupply of qualified workforce with local Loss of skilled engineers during the recession. Inspiring and maintaining interest in young people Low carbon agenda, especially legislation requirements	Sharp fall in employment in some sub-sectors (e.g. precision engineering) Large and mature FE and HE sector with active SSC. Silverstone UTC in the SEMLEP Helping young people acquire experience and developing career paths	High level qualifications (masters/PhD, R&D, business management) Technical skills and core business behaviours such as communications and customer service lacking Sharp fall in employment in some sub-sectors (e.g. precision engineering)
Logistics	Technical, practical or job specific skills, customer handling skills and oral communication skills.	Low share of employers training staff towards an NVQ compared to provision across all sectors	IT skills are becoming increasingly important as are customer handling skills.
Creative and cultural Industries	Managerial, professional, business and technical skills and working in cross-functional creative/technical teams within and across companies.	Quantity of graduates may not be sufficient to meet the growing demand for professional and technical skills.	Average proportions of hard-to-fill vacancies and demand exceeds supply in the digital sub-sector.

An overriding challenge for the South East Midlands is to up-skill the existing workforce, including attracting private sector investment to develop the workforce.

This includes developing high-level and intermediate technical skills to fulfil future need, raising the skill levels of those currently low-skilled, improving links between businesses and local schools to encourage interest in these sectors and development of more flexible higher level skills training for the existing workforce.

Other significant employment and skills challenges facing the South East Midlands

In addition to the sector skills issues identified above, the area is however facing a number of significant employment and skills challenges.

- **Over a quarter of the working age population (27.8%) in the South East Midlands who are economically active have a degree or equivalent and above.** This is slightly below England at 29.8%. However the rate varies across South East Midlands with areas such as Bedford, Aylesbury Vale and Cherwell being well above the South East Midlands and England average in 2012 (at 37.8%, 32.1% and 30.9% of working age population who are economically active with degree level equivalent and above). In

comparison some areas are trailing behind such as Corby with only 12.8% of its resident population who are economically active qualified to degree level or equivalent and above.

- **Across the SEM area there are fewer people (8.6%) without formal qualifications than the national average (9.5%).** However, in Luton (16.1%) and Daventry (12.1%) there are particular issues with the lack of qualifications. More than a quarter of the resident working age population in Luton, Daventry, Corby and Northampton have either no qualifications or just Level 1. Accordingly, there are a number of areas in which there is the opportunity to raise performance levels; primarily at higher skill levels, but also at lower levels in relation to specific geographic areas of the South East Midlands.
- **Recent research undertaken by Ecorys (2012/13) also identified skills gaps and shortages** manifesting themselves in workplaces throughout the SEMLEP study area, including: basic and transferable skills across all sectors. Skilled trades and sector specific skills were considered to be in short supply as well as leadership and management skills. These skills gaps and shortages relate closely to those identified at the various occupational levels (see Table 4.1 below). The main reasons cited for skills shortages are a general lack of skills in the available workforce, poor quality applicants generally, low quantity of applicants, lack of work ready school leavers, and lack of work ready college/further education leavers.

Table 4.1 Skills gaps and shortages by occupation

Occupational Level (SOC codes)	Skills Gaps and Shortages
Managers and Senior Officials	Leadership and Management, Man Management, Information Technology and Financial Management
Professional	Supervisory and management skills, product design and development, engineering, software development
Associate Professional & Technical	Electrical Engineers, Mechanical Engineering,
Administrative & Secretarial	Communication, Customer Service, Information Technology
Skilled Trades	Motor Mechanics, Precision Engineers, Programmers, Chefs, Baristas, Designers, Builders, Plasterers, Financial Advisors
Personal Services	Care Staff, Customer Service
Sales and Customer Service	Communication, literacy and numeracy, Transferable Skills, Information Technology
Process, Plant and Machine Operatives	Usage of new machinery, Technological change, Professionalism, Transferable Skills
Elementary	Basic Skills, Practical Skills and Transferable Skills, Motivation, Time Keeping, personal budgeting

Source: Ecorys Business Survey (2012)

- A recent SEMLEP survey of businesses found that **a third of businesses reported finding it difficult to obtain key skills when recruiting new staff**, with larger businesses more likely to have skills shortages, with the most commonly cited shortages being job specific skills, technical or practical skills and communication skills;

Evidence: SEMLEP Business Survey

In the SEMLEP Business Survey, a third of businesses (35%) reported finding it difficult to obtain key skills when recruiting new staff, with larger businesses (54%) more likely to have skills shortages. The most commonly cited skills shortages are in job specific skills (cited by 19% of businesses), Technical or practical skills (15%), Communication skills (14%), Planning and organisational skills (12%) and Customer service skills (12%). More functional skills were also mentioned such as Numeracy (11%), Literacy (10%), Advanced IT skills (10%), knowledge of English amongst non-native speakers (8%) and basic IT skills (7%).

As a national comparison, the UK Commission for Employment and Skills Employer Skills Survey provides a breakdown by LEP area. For the South East Midlands it showed that the top skills shortages cited by local employers were: Job specific (78%), Problem solving skills (52%), Planning and organisational skills (51%), Technical and practical skills (52%), Customer (46%) and Communication Skills (45%).

The SEM has a polarised occupational structure. For example, high skilled work is prominent in Milton Keynes whilst low skilled work accounts for a relatively large proportion of employment in Corby. 50% of employment in Milton Keynes is within knowledge intensive sectors but the percentage drops to less than a third in Corby and in Daventry. This is also reflected in a polarised skills base.

In addition, economic activity rates, unemployment rates and levels of worklessness also in vary substantially in terms of age, gender, disability and ethnicity nationally and in South East Midlands. For example number of females of working age (16-64) unemployed has more than doubled in numbers since June 2008 and has increased at a faster rate compared to male unemployment rate. Levels of worklessness are continuing to rise whilst for young people, employment levels are amongst the highest of all LEPs but there are pockets of very high levels of youth unemployment. These issues are covered in greater detail under the Priority 6 narrative.

Further detail on the rationale for investment in Priority 5 activities is provided in Annex 2, in particular:

- A2.7 Employment and labour market
- A2.8 Skills

4.6.4 Strategic alignment

Through the provision of enterprise skills support and interventions to address the skills needs of the digital and low carbon economy, Priority 5 will also cover TO2 (ICT), TO3 (SME Competitiveness), and TO4 (low carbon economy). The focus of Priority 5 is to deliver targeted intervention to develop a skilled and adaptable workforce that will address current and future labour market issues by helping specific groups to access employment and improve their skills. In conjunction with Priority 1, 2 and 6, this priority will also provide skills and training support to SMEs and social enterprises (including Intermediate, technical and higher level workforce and management skills) to improve the uptake and exploitation of digital and low carbon/green technologies.

This priority will also align to wider UK and EU initiatives and programmes in particular:

- the EU2020 target is to raise to 75% the employment rate for women and men aged 20-64, including greater participation for young people, older workers and low skilled workers and better integration of migrant groups; and
- the UK Government's aspiration to incentivise work and encourage people off benefits and into the local labour market; improve quality and efficiency in FE and skills training (including advanced and higher apprenticeships); and investment in skills for sustainable growth (e.g. national skills strategy – rigour and responsiveness in skills), through improved employer engagement, traineeships and pathways into work, etc.

4.6.5 Adding value to existing national provision

Our aim is to use ESF funding, alongside SFA, DWP programmes, etc. in the South East Midlands (SEM) area to support improved employment outcomes and to deliver integrated employment pathways for all adults and young people, regardless of their level. In addition to complementing existing national provision SEMLEP and partners will seek to identify new and innovative provision – for example, initiatives with strong links to employment and appropriate to the learner and growth sectors within the South East Midlands.

DWP and SFA has provided consideration of potential opportunities on where additional funding could be focussed to 'improve work outcomes' for those requiring support to compete in the labour market and for which ESF funding could be used, alongside DWP and SFA programmes in the SEM area.

- **High level skills:** we will complement national support programmes, for example, for High Level Apprenticeships our ESIF Strategy could focus additional resources in the promotion of the value and status of Apprenticeships (including Higher Apprenticeships) to students, parents and teachers. Activity could also include the piloting of new models of STEM activity, work experience, traineeships programmes and Apprenticeship delivery (complementing national programmes) for employers who wish to develop more bespoke programmes, including those at higher levels offering a progression route to degree-equivalent qualifications.
- **Basic skills provision:** Current DWP provision offered at day one of unemployment includes skills analysis, followed typically by 6 week training courses (delivered by FE colleges). Following completion of the course, no further action is taken to provide on-going support or evaluate progress. **The SEMLEP ESIF Strategy will therefore complement existing DWP provision by providing on-going contact by providers offering advocacy, mentoring and advice.**

Proposals in our ESIF Strategy on basic skills suggest the need for basic skills and for a skills pipeline linked to growth and vacancies. DWP state that whilst these areas are covered by existing provision through skills conditionality and sector based work agreements, there may be some gaps in capacity and continuing support and learning post training course.

- **Supporting those with mental health and long term limiting health conditions to re-enter or remain in the workplace or to be able to retrain:** DWP national provision includes a programme called 'Work Choice' which is aimed at helping the most disadvantaged into sustainable employment. DWP considers that there is a high demand for this type of support and that additional capacity would deliver results. For those remaining on benefit for significant periods as a result of complex and/or multiple barriers, DWP has a range of measures and programmes to support them, but **further investment and provision through our ESI Fund Strategy could help provide intensive support to achieve the step change in movement required after a long time on benefit.**

Targeted support is currently offered for those ESA and JSA claimants with health conditions, (high proportion of claimants with low to moderate mental health conditions and muscular skeletal conditions) who are pre and post work programme, some of whom will have additional barriers linked to the Social Justice agendas - e.g. drug and alcohol addiction, disability, family breakdown, domestic violence, ex-offenders and homelessness. Workchoice provides support to a relatively small proportion of this group and therefore there is scope to offer a wide range of back to work support that is different in approach to the core offer.

- **Complementing existing Youth Contract activity,** including for example, **Wage Incentives** (which are available for employers who recruit an 18 -24 year old who has been receiving benefits for at least six months through Jobcentre Plus; **Work Experience** (which involves young, unemployed people volunteering for placements with employers lasting between 2 and 8 weeks), **Sector Based Work Academies** (which aim to help those who are ready for work and receiving benefits to secure employment through pre-employment training and work experience placement); and **Apprenticeships** (at the intermediate, advanced and higher level) **and Traineeships.**
- **Basic English for speakers of other languages (ESOL):** Whilst ESOL is currently delivered across the whole of the SEM area and forms part of the skills conditionality element of JSA entitlement, feedback has been that current provision is, in the main, provided during term time only (mostly by FE colleges) and that it requires a basic level of knowledge (as learning is usually conversation based). **Support for those unable to**

achieve this level of conversation including specifically English for businesses remains a gap in current provision and therefore Programme Activity 5.2 below will aim to address this gap in provision.

- **Support for over 40s age group:** significant investment, through the government Youth Contract, has been made in support to young people and reductions in claimant numbers can be seen across the SEM area for this cohort. Recent work undertaken by the National Careers Service however, indicated that those over 40 were significantly disadvantaged in the labour market. This has been fed back anecdotally from within DWP in the SEM area and is backed up by labour market analysis where even a buoyant labour market such as Milton Keynes has a higher than national average number of over 50s claiming JSA (the only age bracket to be in this position in Milton Keynes).

Further analysis is required on the reasons for this, but DWP consider it likely that 'some consideration of a lack of digital awareness, motivation, understanding of transferable skills, mismatched expectations and understanding of modern recruitment methods may be an issue'. When addressing the digital agenda, feedback from participants suggests that their learning pace can be slower and therefore specific courses offered to this age group are recommended. This support could form part of the programme of intervention proposed under Priority 5 (and also Priority 6).

Similarly the SFA has also provided information on contracts currently being delivered across the South East Midlands where SEMLEP and partners should look to complement and potentially extend once these programmes come to an end in 2014/15 (and subject to the performance of these programmes in terms of their impact). Examples, of provision include contracts supporting 14-19 NEETs, skills for redundancy support, skills support for the unemployed, workplace learning and skills support for the workforce.

SEMLEP and partners will continue to liaise with the SFA to identify new / potential extension schemes for the 2014-20 Programme and also to ensure the contracts supported through the ESIF do not duplicate existing activity.

4.6.6 Indicative programme activities

Two programme activities are proposed under Priority 5:

- Programme Activity 5.1: High Level Skills for Key Sectors
- Programme Activity 5.2: Basic Skills and Employment Programme

5.1: HIGH LEVEL SKILLS FOR KEY SECTORS PROGRAMME	
PROGRAMME DESCRIPTION	
<p>The evidence base and the outcome of partner consultations has identified that a key challenge for the area is to address the current skills shortages and gaps and meeting future demands in our key sectors. This Programme aims to deliver a range of high level skills interventions, with a particular focus on SMEs which account for c. 97% of the area's 75,000 business base, including:</p> <ul style="list-style-type: none"> ■ sector based initiatives; ■ high level skills provision and apprenticeships ■ technical and managerial; and ■ other schemes, such as those targeted at developing better links between business and educators and job search support for professionals and executives. <p>1. Sector based initiatives, for example this could include:</p> <ul style="list-style-type: none"> ■ High Performance Technology: a strategic framework and action plan will be developed for the South East Midlands and neighbouring LEPS. It will identify the collective ambition for the area and inform the priorities for future investment, including 	

through ESIF, where there is clear recognition of market failure such as in the deep skills base for the sector in STEM related skills activity.

- **Engineering and construction**⁵⁰: both sectors face skills shortages and an ageing workforce (for example, Central Bedfordshire College has identified significant localised shortages in engineering and construction training provision to meet demand). For both, there are significant opportunities for job growth across South East Midlands including linking with developments at Silverstone and the Northampton Waterside Enterprise Zone for example. There will be a SEMLEP wide approach, tailored to the different areas, to increase availability of apprenticeships and traineeships and progression routes through to graduate and post graduate levels.
- **Logistics**: Based on the report from Skills for Logistics, a hub and spoke approach is being planned to operate in a number of locations to tackle the identified skills shortages, including higher level skills, and to attract and train the large number of staff needed to replace the ageing workforce. The hubs will be developed in partnership with logistics employer networks.
- **Low carbon economy and green housing skills initiatives** – with a focus on building skills and business base and close alignment to the opportunities that will emerge from the proposed SEMLEP eco-town/village developments (e.g. Bicester). This could also include activities to embed sustainable development practices within business and other organisations, through the development of training courses, including ‘green’ building skills (e.g. fitting of solar panels) and dedicated materials for land based industries for (which could be supported through EAFRD), creative industries, advanced manufacturing and engineering, logistics, financial services, etc.
- **Skills interventions to respond to the opportunities associated with HS2**. The planned route for HS2 will pass through the south west of the South East Midlands and cross the East West Rail route north of Aylesbury at Calvert. HS2 will generate a variety of employment opportunities across a range of career disciplines including engineering, environmental science, land and property management, construction, etc. It is therefore important that skills and education provision, through apprenticeships, graduate training programmes and other initiatives are geared to inspire young people into careers in these areas.
- The **care sector and hospitality** also represent some key sector needs and good entry level routes particularly for long term unemployed.
- **Economy wide projects are also under consideration**. For example, working together to improve the provision and dissemination of SEM wide labour market data for use by individuals, employers, providers and funding bodies to inform future planning and resource allocation. This links to the Growth Hub proposals.

2. High level skills provision and apprenticeships:

- **Implementing the SEMLEP apprenticeship plan**, in particular increasing the availability of opportunities in priority sectors is critical. The Plan aims to increase the volume of apprenticeships through the key growth sectors and, as a priority, will be working with small and medium sized businesses in order to address the gaps. Support will include expanding the capacity of providers, particularly to provide higher level skills and support apprenticeships.
- **Bespoke continuing professional development and offers to business to improve competitiveness through skills investment** – working particularly with the Universities of Bedfordshire and Northampton, leadership development for graduates

⁵⁰ ESIF funding to be complemented by capital investment in the colleges will support this. For example, Banbury College’s project is to take forward the upgrade and new build including a green vehicle centre and emerging construction techniques. Further plans include a major development for Bicester which will align with the town’s growth and, given the strength in motorsport, complement and extend the reach of the Silverstone development.

in employment; project-based work placements for graduates; investment in the skills and infrastructure to drive business competitiveness, for example in support of Engineering, Advanced Technology 'Big Data' and Business Analytics.

3. Other areas of activity proposed include:

- **A variation of the Employer Ownership Fund** tailored to the SEMLEP including exploring innovative ways to encourage smaller firms to train for the first time.
- **Actions promoting career opportunities to young people** and facilitating raising aspirations and understanding of future skills needs. This could also include enhancing education and business linkages in schools and colleges to influence curriculum development.
- **Developing better links between business and educators:** Further and Higher Education providers (including UTCs) and other education partners to equip students with the skills to start and grow businesses to meet local needs and to compete in UK and international markets. This could be in the form of a number of activities, including **graduate/student work placements** and **work tasters** to assist graduates/undergraduates to gain quality work experience with a local organisation, and employer engagement through **higher level skills brokerage** and the development and delivery of new provision which meets employer demand (including training courses for businesses). This could facilitate HE/FE understanding and response to SEMLEP and national priority sector needs across the skills, research, innovation, knowledge transfer agendas (Priority 1) e.g. Knowledge Transfer Partnerships across key sectors.
- **Job search support for professionals and executives.** This service is not offered widely as a bespoke service for this group. There is limited provision on offer across the SEM area with lack of capacity meaning there is often a long wait for membership in some areas. DWP in house analyses of outcomes shows high levels of participants find work quickly and comment positively about the mutual support and networking opportunities provided.
- **Digital and ICT skills support**, which will incorporate a spectrum of support from basic skills (e.g. digital literacy) to high level, whilst also reflecting the need for businesses to have on-going access to this kind of support. This will be closely aligned to the business and technology support activities proposed under Priority 1 (such as digital demonstrator events) and also Priority 6. We will seek to harness the innovation of local delivery partners could be to deliver local based community solution, making best use of existing networks.
- **Building on the current European Social Fund (ESF) funded pilots (local responsiveness fund) dedicated to SEMLEP footprint:** maths levels for engineers; mentoring for apprentices by 55+ workers; technical skills for sales staff in manufacturing; development for employers contemplating supporting traineeships.
- **Building on existing successful SFA ESF funded programmes:** including skills for redundancy support, workplace learning and skills support for the workforce. We will work with the SFA to ensure that there is a responsive element within future contracts to enable providers to adapt provision to meet emerging skills needs as identified by partners across the LEP area.

Programme 5.1 will feature SFA and DWP opt-ins.

MARKET FAILURE / BARRIER TACKLED

The High Level Skills for Key Sectors Programme will aim to address a number of key challenges, barriers and market failures. These are summarised below.

Despite the excellent progress of local universities and colleges, skills across the South East Midlands are lower than is needed to support an aspirant and growing knowledge economy. The area is facing a number of significant employment and skills challenges. For example, wider variances in employment across the area in knowledge intensive industries and its

occupational profile exist, with certain areas having employment concentrated in low level occupations.

Whilst we have in place the critical educational infrastructure to support the up-skilling of the existing and future workforce in a number of key sectors, we are still lagging behind in skills attainment at Level 3, 4 and degree level and above compared to national averages. SEMLEP's priority sectors are also facing challenges. For example, advanced manufacturing sectors face challenges such as shortages of engineers, management and leadership, skilled technicians. (Skills research of the Cogent sectors, East Midlands Sector Skills Research by Cogent for the period 2004-14)

The Cogent research also identified additional skill needs for High Performance Engineering amongst the highest end of engineering expertise-masters and PhD, research and development, Apprentices with good mathematics, and also in Business Management. The logistics sector is facing challenges associated with attracting new recruits based on the sector's poor image. Businesses are still reporting skills shortages when recruiting outside the organization and skills gaps within their existing workforce. This includes leadership, management, and technical as well as basic skills. This would suggest we need to do more to support and further develop existing educational infrastructure and work with employers to ensure providers design and tailor a curriculum that is responsive and flexible to support current and future skills demands and growth in key sectors.

In the latter part of 2013, Luton Borough Council commissioned TBR Research to survey local Engineering and Advanced Manufacturing businesses in order to establish whether skills provision was adequate to support future growth. A range of businesses contributed to the study and identified HR and skills factors constraining growth.

Businesses identified several common skills issues posing significant levels of threat to future business prospects:

- The ageing workforce across the sector
- The small number of new staff available to the sector with the required level of work-ready skills
- These skills pressures were felt likely to result in acute pressures on production and operational efficiencies within 3-4 years.
- A lack of understanding among young people of the nature of work in the sector and a lack of appetite to enter employment in it
- Lack of Engineering graduates with previous work experience
- The pervasive presence of electronics in control systems across the sector and the increasing lack of skilled technicians and engineers able to control and design solutions using the technology
- Weakness in Mathematical skills of new employees
- Lack of dedicated facilities in the area for specialist education and training
- A workforce widely out of step with the demographic make-up of the local population
- In several larger firms a growing concern about the inability to keep pace with developments in cyber security and security of data.

Whilst the level of out commuting will remain an issue as the areas competes with other employment centres, it is important to support local employers to identify how they can offer incentives to encourage highly skilled residents as well as school leavers and young people to access local employment opportunities.

5.2: BASIC SKILLS AND EMPLOYMENT PROGRAMME

PROGRAMME DESCRIPTION

The Basic Skills and Employment Programme will include a range of interventions such as supporting workplace training and the provision of redundancy support with close alignment to Priority 2. Emphasis will be placed on work based learning or learning with strong links to employers and sectors (recognising that learning with employment experience is far more successful than simply training on its own). For those in work, interventions will include

employer-led training needs analysis and flexible basic skills provision delivered in a range of ways on site, online, etc.

The Programme will incorporate the DWP and SFA opt-ins, including provision focussed on the following target groups:

- young people who are NEET including those leaving care;
- those with mild to moderate mental health issues: complementing support already highlighted previously (e.g. the current offer for those ESA and JSA claimants with health conditions, who are pre and post Work Programme, some of whom will have additional barriers linked to the Social Justice agendas)
- drug and alcohol misusers;
- those suffering from Autism and/or Dyslexia;
- ex-offenders (but ensuring synergy of National Offender Management Service). The 'top slice' for NOMS has already been agreed at a national level
- lone parents and ESA claimants – over and above current basic provision offered to pre and post Work Programme. For example, increased conditionality for lone parents has recently been introduced therefore expectation will be that need in this area to find work will increase. Consideration will be given to varying levels of need across South East Midlands (for example, within Bedfordshire alone, the three Local Authority areas are very different in terms of make-up and therefore the funding required will vary significantly); and
- support for the over 40's, including specific courses offered to this age group addressing the digital agenda and provision addressing the barriers and challenges the long term unemployed and those who work in declining industries face within this age group.

The current focus in basic skills is on the literacy and numeracy of an individual. There is however also a need, in the modern labour market, to consider an understanding of the digital world as an expected basic skill of a jobseeker. This Programme therefore aims to expand current provision to include basic digital skills could therefore prove beneficial.

Activities that could be delivered under this programme include:

- improved Information, Advice and Guidance (IAG), Pre-entry provision; Traineeship models in the context of raised participation age; work experience/work taster sessions (including graduates, lone parents, 25+, ESA, Work Programme returners), digital literacy, up-skilling existing workforce - in response to employers' needs; and group session delivered in Jobcentres by interpreters for those with little or no English;
- tackling the skills issues facing the over 40 age group, including the development of external work-clubs targeted at this group and providing digital access and support in an environment which is to the liking of the claimant group (both location and other attendees);
- group sessions delivered in Jobcentres by interpreters for those with little or no English - ESOL is a part of the back to work journey for many claimants who require this learning. Some also require a cultural awareness and an holistic approach could be adopted in some of the South East Midlands areas to address these differences and move the claimant forward towards employment;
- community delivery of IT skills including universal job match support, financial budgeting;
- work experience for benefit claimants including graduates, lone parents, 25+, ESA, Work Programme returners;
- redundancy support, additional support to enhance mainstream provision, including up-skilling or re-skilling individuals to improve employment opportunities could be

delivered through targeted careers advice, skills-based interventions. In relation to redundancy support, as part of our discussions with the SFA we will ensure that flexibility is built into the opt-in agreement so that redundancy support is picked up as and when required. This may include drawing on good practice examples of delivery models being implemented in other areas of the UK. For example, the current skills support for redundancy programme could be a potential basis for actions in SEMLEP, which was funded by ESF investment. in Work support and mentoring in the early stages of new employment;

- wage subsidies/employer incentives – to top up the offer through the Youth Contract. DWP have provided information on a range of support which can be offered under the Youth Contract and includes, in addition to this a wage incentive for 18-24 year olds, but also work experience for people aged 16-24. Sector based academies and apprenticeships are also available;
- Community Grant Initiatives, which offer grants to VCS organisations to fund projects that help people who are further from the labour market by developing soft skills, such as volunteering, training in basic skills and building confidence. Target groups could include the over 50's, NEETS, women, lone parents, ethnic minorities and people with disabilities. Match could potentially come from the SFA, DWP, BIG and organisations such as the Princes Trust; and
- Young Enterprise is currently working with a number of the LEPs and whilst each LEP has its own specifics in terms of focus and strategy, the need for the development of relevant employability skills is common throughout. Young Enterprise indicated that they could contribute to supporting Objective 5. To work with the secondary, further, higher, voluntary and community, and private sector education and training providers across SEMLEP to ensure skills outcomes match business and social enterprise needs.
- Training for specific vocational licences – this is regularly required (e.g. expiration of licence or in-house certification attached with former employer) or to facilitate a change of career and can be a barrier to work due to cost. The DWP Support contract offers some support in this area, however this contract is due to end in December 2014 and no knowledge at this stage of whether the contract will be extended or something new will replace it. There is therefore scope for SEMLEP to offer access to a fund for claimants in this category.
- **As with the High Level Skills Programme we will seek to build on existing and successful SFA ESF funded programmes**, such as support for 14-19 NEETs, skills for redundancy support, etc.

Supporting rural skills

It is known that the farming community is ageing and there is a need to attract young people back into the industry. There is also a need for rural skills which offer a good fit to modern society. These could include skills like coppicing to maximise the opportunities of the “green economy” or support to develop certified food brands such as local venison to tap into the market for traceable, quality, local products. There is an opportunity to support the training of traditional land skills through local educators who offer agricultural courses to meet this objective. There are a number of colleges across the SEM area that could work with farmers to offer the work placements or apprenticeships in this regard.

Skills development and knowledge transfer are, in our view, fully supported by our ERDF and ESF programmes and national provision.

Alignment to Priority 6

This programme will also include interventions that will be closely aligned to those proposed under Priority 6 and Annex 5: This could include, for example:

- developing volunteering in communities as a step back to work;
- supported volunteering to help the less engaged to engage as a step back to work,

<p>with placement and matching of volunteers and development of volunteering opportunities;</p> <ul style="list-style-type: none"> ■ the development of Centres for Excellence to develop sector skills and support progression – including support for volunteer training and development with a potential to focus on those with additional or basic skills needs; ■ mentoring support for those with multiple barriers to work e.g.. drug and alcohol users ■ enabling access for rural communities and excluded groups or communities; ■ local support to 'hard to reach' individuals and those with complex needs; and ■ through Employer Supported Volunteering, staff in other sectors can provide experience through involvement in VCS businesses and on trustee boards. <p>Programme 5.1 will feature SFA and DWP opt-ins.</p>
<p>MARKET FAILURE / BARRIER ADDRESSED</p> <p>The Basic Skills and Employment Programme aims to address a number of challenges, barriers and market failures facing the South East Midlands, including:</p> <ul style="list-style-type: none"> ■ tackling identified skills gaps and shortages manifesting themselves in workplaces throughout the SEMLEP study area, including: basic and transferable skills, including team working, literacy, numeracy and communication skills; and, across all sectors, skilled trades and sector specific skills were considered to be in short supply (Ecorys research 2012/13); ■ the need to invest in education and vocational training to meet the requirements of employers and employees and to reduce barriers to further education and workforce development. This will help improve the quality of labour and provide an attractive skills base for business growth as well as attracting incoming firms and business start-ups; ■ removing obstacles to the labour market to help individuals, families, communities and the whole economy. Addressing skills issues for potential workers is also important to ensure the sharing of the opportunities afforded by economic growth across groups. For example, the employment rate for disabled people is just 39% compared with the overall employment rate across SEM of 75.1%. However, further analysis is required at local authority level to identify and gain a better understanding of labour market outcomes for disadvantaged groups and where interventions/targeted support is required. <p>The skills providers in SEM are involved in and could further develop a number of holistic projects that support individuals and families to overcome a number of barriers. The Neighbourhood Employment Programme in Milton Keynes includes family support, mental health therapies, work experience and employability. Luton Adult Community Learning has funding to work with the BME communities. Enterprise as a theme across SEM is being nurtured by universities and colleges. Northampton College phase two capital project would provide a suite of facilities in Daventry for a range of excluded and marginalised groups and a gateway for employers to access services and employees.</p>

4.6.7 Anticipated outputs and results and value for money considerations

Priority 5 will contribute towards delivering all of the following ESF output and result categories and themes:

Outputs	Results
<ul style="list-style-type: none"> ■ 25,895 no. of participants ■ 9,063 no. of unemployed ■ 3,884 no. of inactive ■ 7,769 no. of employed 	<ul style="list-style-type: none"> ■ No. in jobs, No. in active job search, No. in education/training and No. gaining qualifications ■ Increase the number of people engaged in economic activity and increase in pre-work activity- volunteering ■ Supporting people moving from non-active towards

Outputs	Results
■ 5,178 no. aged 15-24	regularly engaged and building work readiness ■ Increase the capacity of the VCS workforce, volunteers and trustees

The two programmes under Priority 5 will also deliver a range of other benefits, including: increase in the proportion of the working age population with level 2,3 and 4 qualifications and skills; higher levels of private sector training; improve employer satisfaction rates of skills provision; increase the take up of apprenticeships; increased labour participation rate; greater social inclusion; higher level of skills and reduction in the level of employers reporting business skills gaps and shortages. All of these will feed through into increased labour and business productivity.

A recognised benchmark for the overall return on investment in employment and skills programmes is £3 for every £1 spent. Research⁵¹ published by BIS last year suggests employment and skills interventions (including post-19 qualifications) could potentially deliver substantially high economic benefits and returns on investment. For example, the research suggests net economic benefits of £28 for every pound the government invests in the Apprenticeship Programme. Priority 5 interventions will aim to match and/or exceed these value for money benchmarks.

4.7 Priority 6: Tackling social and economic exclusion

PRIORITY 6 OVERVIEW	
AIM	To ensure that economic successes and growth opportunities delivered by the SEMLEP EU 2014-20 Programme are shared and that economic and social exclusion is tackled. This priority, in conjunction with other priorities, is focused on creating employment which is accessible to disadvantaged areas and to help residents in these areas access economic opportunities as employees or in self-employment.
THEMATIC OBJECTIVE(s)	TO9: Inclusion TO8: Employment

⁵¹ *Measuring the Economic Impact of Further Education*, BIS Research Paper Number 38, Cambridge Economics and Institute for Employment Research, 2011

ADDRESSED	<p>TO10: Skills</p> <p>CLLD activity is also likely to contribute to other thematic objectives – namely, Thematic Objective 2: Enhancing access to, and use and quality of, Information and Communication Technologies, Thematic Objective 3: Enhancing the Competitiveness of SMEs.</p>	
RATIONALE	<p>The opportunity</p> <p>Untapped entrepreneurialism exists within communities, particularly amongst traditionally excluded groups (i.e. young people, BME groups, women, etc.).</p> <p>Huge opportunity to use the rich skills and experience that older workers possess (<i>the age group that has seen the greatest increase in number of people in employment since June 2008 has been those aged 50-64 years old</i>).</p> <p>To build upon the innovation and expertise of the local LEADER and Community Grants programmes in order to learn lessons and ensure rapid and effective delivery through target community-led intervention.</p>	<p>The challenge</p> <p>To respond to the strategic objectives of the SEMLEP Social Inclusion Strategy, including financial inclusion.</p> <p>To address high and rising levels of youth unemployment by addressing barriers to the labour market faced by the 16-24 year old age group.</p> <p>To address the underlying causes of differences in employment levels and worklessness in some areas and for particular disadvantaged groups.</p> <p>To address the persistent pockets of need, ranging from urban areas with multiple and complex deprivation to rural areas which are vulnerable to economic and demographic change and disproportionately affected by rises in fuel prices and changes which affect access to services.</p>
KEY PROGRAMME ACTIVITIES	<ul style="list-style-type: none"> ■ 6.1: South East Midlands Social Inclusion Programme ■ 6.2: South East Midlands Community Led Economic Development Programme 	
FUNDING	£10m indicative ESI Fund financial allocation (£10m ESF).	
OUTPUTS & RESULTS	<p>Outputs</p> <ul style="list-style-type: none"> ■ 15,249 of participants ■ 5,337 of unemployed (including long-term unemployed) ■ 2,287 of inactive ■ 4,576 employed (including self-employed) ■ 3,049 no. aged 15-24 	<p>Results</p> <ul style="list-style-type: none"> ■ No. in jobs ■ No. in active job search ■ No. in education/training ■ No. gaining qualifications ■ No. engaging in positive activities to tackle barriers to work and training

4.7.1 Context:

The Europe 2020 strategy and UK Government priorities have goals for promoting social inclusion through the reduction of poverty and increase in employment. The Government's strategy for social justice '**Social Justice: Transforming Lives**' sets out the Government's commitment to giving individuals and families facing multiple disadvantages the support and tools they need to turn their lives around. This strategy focuses on a number of principles, including a focus on prevention and early intervention; concentrating interventions on recovery and independence, not maintenance; promoting work for those who can as the most sustainable route out of poverty, while offering unconditional support to those who are severely disabled and cannot work; recognising that the most effective solutions will often be designed and delivered at a local level; and ensuring that interventions provide a fair deal for the taxpayer.

The welfare system in the UK is being reformed to make it fairer, more affordable, and better able to tackle the causes of poverty, worklessness, and welfare dependency. In line with these reforms, the principles the strategy for Social Justice and Europe 2020 targets and objectives, the interventions proposed under Priority 6 aim to ensure that economic success is shared and that social inclusion is tackled.

4.7.1.1 SEMLEP Social Inclusion Strategy

SEMLEP has a strong commitment to tackle economic inequalities, social inclusion and encourage partnership working across the 'patch' and will strive to work with neighbouring local enterprise partnerships to promote cross border initiatives over all sectors. A Social Inclusion Strategy (see Annex 5) has been prepared that sets out the over-arching priorities for the South East Midlands that underpins the priorities identified in our ESIF and Strategic Economic Plan and European Structural Investment Funds (ESIF) and cuts across the SEMLEP themes and initiatives.

The Social Inclusion strategy has been developed with input from a wide variety of organisations from across SEMLEP, including local authorities, education establishments (including Bedford College and University of Bedfordshire), BIS, DEFRA, DCLG, SFA, Northamptonshire Probation Trust, Office for Civil Society, Milton Keynes Community Enterprise, VCSE and rural groups, and National Council for Voluntary Organisations.

The Strategy has identified the following strategic objectives:

- *Worklessness* – overcoming barriers to work;
- *Financial Inclusion* – tackling poverty both in and out of work;
- *Community Investment* - promoting and supporting sustainable economic development

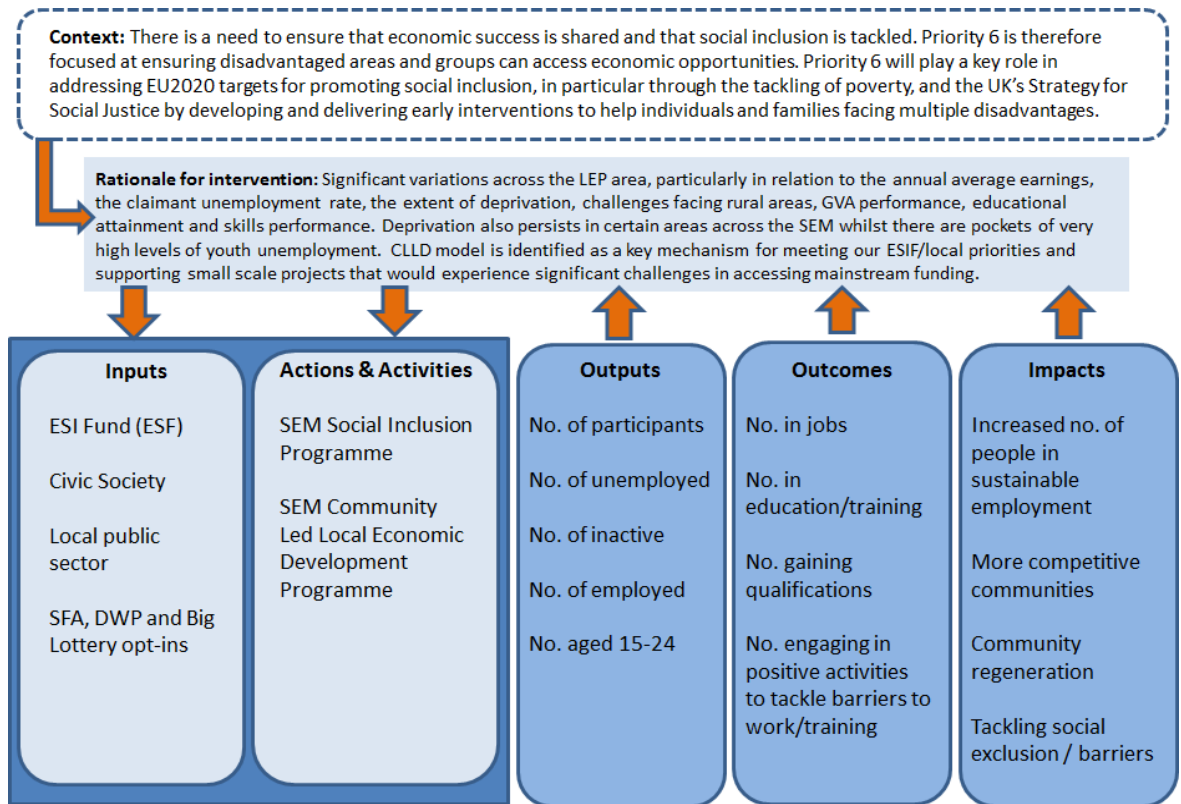
The Strategy aspires to **raise expectations and ambitions** (*by encouraging the development of alternative ways of accessing employment, such as volunteering*); **promote and supporting local businesses** (*aligning local job opportunities and skills with employer needs*) and **develop a strong and sustainable network** (*by training and up-skilling individuals and businesses in financial literacy, management and to encourage partnership working*).

Priority 6 is therefore designed to address these national priorities and the strategic objectives and aspirations of the SEMLEP Social Inclusion Strategy by ensuring disadvantaged areas and groups can access the economic opportunities that will be achieved through the other five priorities of our programme and will be delivered in part through Community-Led Local Development programmes.

Priority 6 will develop local initiatives that will add value to national policies and programmes by supporting additional activities to extend employment opportunities and tackle barriers to work faced by unemployed and inactive people, with a particular focus on people at a disadvantage in the labour market (including disabled people, lone parents, older workers, people from ethnic minorities, the low skilled, offenders and ex-offenders, including young people not in education, employment, or training).

Figure 4.6 presents a logic model for Priority 6, setting out its rationale, objectives and its target outputs, results and growth impact.

Figure 4.6 Priority 6 logic model



4.7.2 Priority aims and objectives

This priority aims to ensure that economic successes and growth opportunities delivered by the SEMLEP EU 2014-20 Programme are shared and that economic and social exclusion is tackled. This priority, in conjunction with other priorities, is focused on creating employment which is accessible to disadvantaged areas and to help residents in these areas access economic opportunities as employees or in self-employment (e.g. the creation of enterprise/social enterprise opportunities as a viable route out of unemployment, worklessness). Investment through this priority therefore aims to provide new opportunities to people who face the greatest barriers to work and learning and supporting people in areas of high worklessness to benefit from the jobs being created in the SEM economy. For example, the offender population is substantially over-represented by people who are socially and economically excluded or disadvantaged.

With 27.5% of the SEM population living in rural areas this priority also seeks to address the challenges that rural communities face, such as access to basic services including health, education, training, employment, food shopping and leisure.

4.7.3 Rationale for Priority 6

Although the area has weathered the economic downturn better than some other areas, with higher employment than UK and EU27 averages, there are pockets of severe and prolonged deprivation. SEM area fell into the lower half of all the LEP areas, being ranked 21st out 39 for the *Community* theme and a particularly low score of 33rd out 39 for the *Place* criteria.

There are also some significant variations across the LEP area, particularly in relation to the annual average earnings, the claimant unemployment rate, the extent of deprivation, challenges facing rural areas, GVA performance, educational attainment and skills performance. Deprivation also persists in certain areas across the SEM whilst there are

pockets of very high levels of youth unemployment. Pockets of deprivation exist across the South East Midlands area with 29.3% of Corby's population, 26% of Luton's and 20.3% of Northampton's living in the most deprived areas of England compared to very low levels in South Northamptonshire (0%), Aylesbury Vale (0.9%) and Central Bedfordshire (2.2%).

Levels of worklessness have continued to increase since 2008 which is largely due to more people becoming economically inactive and looking for work or unemployed. The differences in the economic inactivity rate across South East Midlands have an impact on the overall levels of worklessness. Furthermore it is clear that particular groups including young people, women, disabled people, older people and certain ethnic minority groups have lower employment rates and may account for a significant proportion of those who are economically inactive. Some groups experience lower employment rates and face barriers to the labour market. This includes ethnic minority females, disabled people, young people and people over 50. For example, the employment rate for disabled people⁵² was 39% (36.5% for males) and 44% for over 50 year olds⁵³.

Case study – tackling worklessness through Luton Borough Council's Volunteering Scheme

Paul, who was out of work for over 10 years contacted Luton Borough Council's volunteer scheme and secured a volunteer role at Luton's Foodbank which opened last year. Volunteering has had a major impact on Paul and he has built up a reputation as being a very hard working, reliable and trusted member of staff. It wasn't long before he was given more responsibility. He was given the keys so he could open and close the Foodbank before and after his shifts.

Paul said: *"In just a few short months I had a new life. A better life! I was out in the fresh air and making a real difference to people's lives. I finally had more confidence."* Paul is now a full time permanent member of staff and working as a warehouse operative and van driver at the Foodbank. *"The volunteer scheme is amazing. I can't speak highly enough of it. I actually hand out flyers to people about it as I want others to benefit from it the way I have. I wouldn't be here if it wasn't for volunteering. It has changed my life."*

Certain groups face considerable barriers to the labour market that impact upon their ability to access employment opportunities. These include lack of affordable child care for women returners, flexible working practices, attitudes/lack of understanding of employment/business support advisers and lack of accessible and affordable public transport in significant parts of the area. It is important to address the underlying causes of differences in employment levels in some areas and for particular disadvantaged groups if we are to deliver sustainable economic growth for the whole of South East Midlands.

There is a need to focus on helping those furthest from the labour market or with lower levels of skills – interventions therefore need to be aimed at supporting growth sectors by providing the human capital. This is likely to may require the design of specific interventions to support those more likely to become economically inactive to find employment and working with employers to support them to recruit and retain a diverse workforce.

The 50+ age group has been a primary focus for policymakers over the past decade or so, in response to concern with a number of challenges, including an ageing workforce, the prospect of a pension crisis, skills shortages, the escalating cost of state benefits, and an increasing number of older people in poverty.

An emerging issue relating to financial exclusion is the impact of benefits reform on disadvantaged groups, particularly disabled people, lone parents, migrant communities and certain ethnic minority groups. Early analysis of the welfare reforms highlights that the estimated impact of the reforms across Great Britain as a whole will reduce public sector spending by almost £19bn a year. This represents around an average loss of £470 a year for every adult of working age in the country. For example in Central Bedfordshire, the

⁵² ONS (December 2012)

⁵³ ONS (June 2013)

estimated average loss per working age person would be £340 (£56 million in total)⁵⁴. According to a major food bank provider the Trussell Trust, the number of households using food banks has more than trebled in the last twelve months. They cite rises in the cost of living, static incomes, the cap on benefits and the continuing economic downturn as the reasons behind this surge in demand.

Case study: Northampton Credit Union - supporting financial inclusion

Kaylee is a single mother with one child who receives £20.30 per week child benefit. She approached the Northampton Credit Union November 2010 for a Christmas loan, following an approach by a doorstep lender. A £250 loan was agreed with 30 weekly repayments of £9 per plus a mandatory £1 saving contribution into a personal account. Since 2010 Kaylee has taken out loans to replace her washing machine followed by two similar Christmas loans in 2011, 2012 and 2013. When she took out her latest loan, Kaylee received a statement showing that she now had over £200 in her savings account and she was “gobsmacked”. As a result Kaylee immediately made arrangements for us to keep £3.30 per week on top of her £9 loan repayment so that we would only pay £8pw to her bank after retaining a total of £12.30 from her Child Benefit. This would not have been possible if Kaylee had taken the original loan from the doorstep lender in 2010.

Further detail on the rationale for investment in Priority 6 activities is provided in Annex 2 Section A2.9 ‘Social inclusion’.

4.7.4 Strategic alignment

Priority 6 is cross-cutting in nature and will feed into each of the other five programme priorities. Priority 6 will play a key role in addressing EU2020 targets for promoting social inclusion, in particular through the tackling of poverty, and the UK’s Strategy for Social Justice by developing and delivering early interventions to help individuals and families facing multiple disadvantages. As mentioned previously, a wider objective of SEMLEP is to work with the secondary, further, higher, voluntary and community, and private sector education and training providers across the area to ensure skills outcomes match business and social enterprise needs. Priority 6 will play an important role in meeting this objective.

4.7.5 Adding value to national provision

On-going support for those with mental health/complex barriers to work: DWP National provision includes a programme called “Work Choice” which is aimed at helping the most disadvantaged into sustainable employment. There are many other complex, and sometimes multiple, barriers that claimants have to overcome to move towards employment. This complexity leads to many remaining on benefit for significant periods, moving through central Government provision to completing the Work Programme, and returning for further support from DWP. These individuals have, at that stage, spent, on average, over 3 years on benefit. Further investment and provision developed through the SEMLEP ESIF Strategy could help provide the step change in movement required after such a long period on benefit.

Case study: MAYBE Magazine CIC – Buckingham Community Foundation

Maybe Magazine delivers its programme in Milton Keynes and in Aylesbury Vale. Maybe Magazine publishes a quarterly lifestyle and business magazine and eZine, across Milton Keynes and Aylesbury Vale. There are in excess of 33,000 readers. Most of the content for the magazine is produced with the help of unemployed and disadvantaged individuals, including those with mental health problems, ex-offenders, homeless individuals, women returners, drug and alcohol problems and learning difficulties. This is achieved through the delivery of both accredited and non-accredited learning and work experience programmes.

⁵⁴ Centre for Regional Economic and Social Research, Sheffield Hallam University, *Hitting the poorest places hardest: the local and regional impact of welfare reform*, April 2013).

4.7.6 Indicative programme activities

Two programme activities are proposed under Priority 6:

- 6.1: South East Midlands Social Inclusion Programme
- 6.2: South East Midlands Local Community Local Led Economic Development

6.1: SOUTH EAST MIDLANDS SOCIAL INCLUSION PROGRAMME

PROGRAMME DESCRIPTION

The South East Midlands Social Inclusion Programme has been informed by, and aims to meet the objectives of the SEMLEP Social Inclusion Strategy.

The complexities of European Funding will mean that there will be a need for collaboration, consortia and partnership delivery. In order to achieve this SEMLEP will work with businesses, providers and individuals to ensure that the duties of the UK Equality Act 2010 are understood and implemented by all in the design, commissioning, delivery and evaluation of our programmes and projects. We will also work with public sector commissioners and procurers to ensure that our programmes comply with the UK Public Services (Social Value) Act 2012 which recognises that 'local' VCSE's are better placed to deliver services to communities.

The Programme will focus on supporting the three strategic themes of the Social Inclusion Strategy (worklessness, financial inclusion and community investment) and will be delivered in the form of a two part social inclusion programme (part BIG, part local). The focus will be on reducing disparities in inner urban and rural areas. An important element of this programme will be on the design of specific interventions to support those more likely to become economically inactive to find employment and working with employers to support them to recruit and retain a diverse workforce.

This programme is likely to include a range of activities, including neighbourhood employment initiatives, voluntary mentoring and coaching young people, social access to finance, wheels to work style initiatives, capacity building, rural access to services, , Troubled families and family intervention programmes. Tailored support for all age groups (16-70).

Further activities, that could include:

Worklessness:

- Tailored support for all ages (16 to 70) to help people move closer to employment by offering
 - Basic & vocational skills
 - Employment support measures, including career planning, help with writing CVs and job applications, job search, access to further education, training
 - Employer engagement and awareness training
 - Addressing discrimination and inequalities
 - Provide pre and in work support
- **Employment and enterprise support for the over 50s**, including in work training provision to facilitate the continuous development of skills, knowledge and attitudes (e.g. helping older workers adapt to issues such as technological change), and assisting older people to help them get back into meaningful employment, such as re-employment initiatives designed to support people who have been made redundant or unemployed.
- There is also an opportunity to utilise the rich experience and job related competencies (knowledge, skills, values and attitudes) that older workers possess, for example through the mentoring of younger people.
- Support for families by improving intervention and equitable services to disadvantaged groups

- Bespoke programme of support to address complex needs of those furthest from the labour market
- Promote and encourage the development of lifelong career pathways through various initiatives for example work clubs, volunteering, work placements and mentoring
- Improving Access to Opportunities, e.g. tackling barriers to work, developing basic and lower level skills, pre-employment training, and improving transport accessibility to opportunities.

Financial inclusion:

- Providing access to financial capability training and money management advice;
- Capacity building to ensure that organisations are business ready;
- Support for individuals to provide opportunities to up skill and access to mentoring for those in low paid jobs so that they can earn a better wage;
- Advice and support to aid accessing the labour market (cost of transport and childcare) focusing on tackling in work poverty;
- Promote digital inclusion initiatives enabling people to access services and training on line

Community investment:

- **Stimulating social and community enterprise:** including Pre start, Start-up, specialised advice, guidance, support and consultancy by qualified advisors, show case events to promote and embed social enterprise networks.
- **Developing the capacity of local businesses and social enterprises to maximise local procurement opportunities.**
- **Community Digital Inclusion** - accessibility skills and affordability (for example, community hubs-champions, equipment loan schemes etc.).
- **Development and provision of appropriate financial instruments**, including social impact funds and those supported by Community Development Finance Institutions (CDFI);

Further activities that will be appraised as part of the programme development process are likely to include

- VCS SME/Social Enterprises develop in target communities, and with a focus on creating inclusion, reducing isolation through their activities in direct services, developing communities to engage or their operating principles.
- support for community group development in target communities;
- social and community enterprise prestart up start-up specialist advice guidance support
- social enterprise networks building;
- engage businesses through Corporate Social Responsibility to engage in and support volunteering and engage with their communities; and
- develop career pathways in the VCS in partnership with colleges & university.

MARKET FAILURE / BARRIER(S) ADDRESSED BY PROGRAMME 6.1

Whilst the SEM area is broadly characterised by relatively high levels of economic activity and relatively low rates of unemployment and child poverty, and above average earnings, in common with all areas it does face a number of challenges:

- There are some notable differences across the LEP area, with the rank of constituent local authority districts varying widely on many of the measures, for example:
 - **Extent of deprivation** - there exist pockets of deprivation across the South East Midlands area with 29.3% of Corby's population, 26% of Luton's and 20.3% of

Northampton's living in the most deprived areas of England compared to very low levels in South Northamptonshire (0%), Aylesbury Vale (0.9%) and Central Bedfordshire (2.2%).

- **Assisted Areas⁵⁵:** The following wards are currently designated as Assisted Areas that have both economic need and opportunities for growth. These are: Biscot, Challney, Crawley, Dallow, High Town, Lewsey, Round Green, Saints, South, Stopsley and Wigmore within Luton; Houghton Hall, Dunstable Icknield and Parkside within Central Bedfordshire; Central, East, Rowlett, Shire Lodge, Stanion and Corby Village and Weldon and Gretton within Corby; and Barton, Burton Latimer, Northfield, St. Michael's and Wicksteed, St. Peter's, William Knibb and Queen Eleanor and Buccleuch in Kettering. These wards (and those adjacent) still show considerable economic need and/or opportunity. They also provide a continuous area with a population of 151,000 (ONS 2011-based mid-year population estimates).
- **Children living in poverty:** 25% of all children are living in poverty in Luton compared to a SEM average of c.15% and a national average of 18%.
- **High and rising numbers of NEETs in some areas:** The proportion of 16 to 19 year olds who are not in education, employment or training (NEET) in certain areas of SEM are high. For example, in Luton the figure is high, and rising. 6.2% of 16-19 year olds were classed as NEET in May 2013 with a further 5.5% of young people "unknown";
- **High and rising levels of youth unemployment:** SEM has a youth unemployment rate of just over 4% (January 2013), below the national average of 5.5%. However, there are areas in SEM that are suffering from a long-term problems with youth unemployment, particularly for youngsters who have left school with poor qualifications (for example, youth unemployment in Corby almost tripled from 4% to 11% between 2007 and 2012⁵⁶).
- **Claimant unemployment rate:** (Corby 5.2%, Luton 4.3%, Bedford & Northampton 4.1%, South Northants 1.3%, Cherwell 1.4%)
- Barriers to accessing the labour market persist, for example transport, costs of childcare, attitudes and perceptions.
- The offender population is substantially over-represented by people who are socially and economically excluded or disadvantaged. They often face multiple, complex and interrelated problems and inequalities that, if not adequately addressed, can lead to a cycle of offending that can be difficult to break. The harm to victims and communities is often broad and deep, and effective and timely interventions are required to break the cycle of re-offending and prevent further harm being perpetrated

6.2: SOUTH EAST MIDLANDS COMMUNITY LOCAL LED ECONOMIC DEVELOPMENT PROGRAMME

PROGRAMME DESCRIPTION

Overview

SEMLEP has decided to invest in a number of Community Led Local Development programmes to support the Thematic Objective of Social Inclusion. The decision is based on the value of community economic development activity has in supporting the development of responses to the varying social, environmental and economic challenges faced. The LEP believes that CLLD is a powerful tool that enables relatively small financial investments which

⁵⁵ Assisted Area status permits the granting of additional financial support to organisations in less economically advantaged locations. This support primarily encourages business growth, which can positively affect these locations and the whole UK economy. Assisted Area status offers eligibility for regional aid, but does not in itself confer any funding. Regional aid is one of many forms of state aid used by the Government to support UK businesses, and all other forms of financial support can be granted both inside and outside of Assisted Areas.

⁵⁶ Ambitious Minds (2012) Plugging the Igeneration into the Labour market

benefits local communities as they take concrete steps towards forms of economic development, which are smarter, more sustainable and more inclusive. This is in line with the Europe 2020 Strategy and UK Government's localism agenda.

Our proposals for the locations identified below have been strongly influenced by the experience of existing Leader programmes which currently operate within the SEM area, and significant experience and learning through other community economic development programmes such as Co-Financing Organisation for ESF, Objective 2 (ERDF and ESF), URBAN, EQUAL, as well as domestic programmes such as New Deal for Communities, LEGI, Neighbourhood Renewal Funding, and Single Regeneration Budget.

The CLLD proposals will be based on the following approach:

- local stakeholders have a better knowledge of local challenges that need to be addressed and the resource and opportunities available;
- they are able to mobilise local resources for the development process in a way that does not happen with top-down approaches;
- this gives a greater sense of ownership and commitment to the projects, which allows the best use of any local assets;
- neighbourhood networks will enable the building of local partnerships to address community priorities;
- funding will be targeted at smaller areas, and the funding structure will enable smaller, tailor made projects to be funded;
- funding will enable capacity building in the local community, building social capital;
- local focus will ensure flexibility in delivery according to identified community need;
- using the necessary experience and expertise in a geographical area, significant improvements in the inclusion of disadvantaged groups, capacity building and developing localised micro-interventions can have major impacts on a local economy;
- for the urban CLLD programmes, the relevant Local Authority will act as the accountable body, with a Local Action Group (LAG) established early in the process. Statutory bodies such as the Police and NHS, and active citizens, local community and voluntary sector organisations will be involved in the LAGs, which will be responsible for developing a local strategy and issuing calls for funding. This could be delivered in a similar manner to the Neighbourhood Governance Programme currently being rolled out in Luton (see *diagram below*).

Neighbourhood Governance Programme



The rationale for the application of CLLD in the South East Midlands

The CLLD model has been identified by SEMLEP and partners through our extensive consultation programme over the past 12 months (see section 2.2.) as a key mechanism for delivering the priorities and targets of our ESIF. Partners across the SEM are keen to build on benefits that the LEADER approach to community-led local development financed by the Structural and the Rural Development Funds which has proved to be an effective and efficient tool in the delivery of development policies whilst also helping rural actors consider the long-term potential of their local area.

Using the CLLD model, and extending its focus to urban communities will make it possible (through a bottom-up approach in terms of identifying local needs and solutions), to fund small, local projects (around £20K in the spatial priorities identified below) which could potentially have difficulty in accessing mainstream EU Funding. The model will provide a strong mechanism for building community capacity and stimulate innovation entrepreneurship and capacity for change within these communities. The CLLD model will help us deliver a range of benefits that are unlikely to be delivered via mainstream funding. Supporting smaller providers that are vital to reach deep into the most disadvantaged areas where worklessness is most concentrated.

Local Action Groups

The CLLDs will operate their Programmes using combined funding from both the ERDF and ESF. This will allow Local Action Groups (LAGs) to address issues which are better adapted to specific local factors, making use of the opportunities offered by all the funds involved. It will also allow for an increase in the total budget available for local development by using combined funds and allow the LAG to access several sources of financing over a longer period of time to ensure interventions are sustainable and a legacy is put in place post funding. To enable CLLDs to fully develop robust Local Development Strategies, it would be helpful to have early receipt of the Governments criteria for appraising them.

The LAGs are likely to bring forward a local plan that provides a mix of commissioned and grant based interventions that will improve the economic competitiveness of the areas and provide stronger economic linkages into the wider functional economic area. LAGs are expected to bring forward plans that set out horizontal linkages between communities and businesses through a range of themes, such as:

- locally relevant economic development activity;
- the identification and tackling of specific local barriers to employment and skills;
- stronger vertical linkages into the wider economy by strengthening supply chains, business networking, and wider interventions from partners to tackle specific economic issues (potentially around widening employment prospects for particular disadvantaged and marginalised groups).

SPECIFIC AREAS THAT WILL BE TARGETED AND RATIONALE FOR THE USE OF CLLD

CLLD programmes proposed and in development for SEMLEP are initially Urban Corby and Luton as indicated below. These programmes will work closely with all of the other elements of the ESIF to ensure there is no duplication or displacement of mainstream activity/provision, that they do not duplicate wider ESIF interventions and that CLLD Local Development Strategies (LDSs) align with the LEP's strategies to support local economic growth.

LA district	CLLD defined area	Area population size	Indicative intervention	Economic rationale for CLLD in this area / justification for level of resource proposed
Corby	Urban Wards: Central,	53,614	The Programme will aim to link the local labour market and its job opportunities to those	Corby has a population of 18,360 living in the 20% most deprived wards in

	Danesholme, East, Hazelwood, Hillside, Kingswood, Lloyds, Lodge Park, Shire Lodge, West		<p>furthest from it, especially the young unemployed, but also women and other disadvantaged groups.</p> <p>This will be achieved through a programme of activity around skills and employment support, tailored to the differing needs of the target groups and designed and delivered in conjunction with the local community.</p> <p>It is likely to include a pathway for young people taking them towards work, from very basic interventions (basic skills, confidence building) to and beyond the stage of gaining employment (in-work training, support and career progression).</p>	<p>England, 30% of Corby's total population, the highest percentage of all of the local authorities in the SEMLEP area.</p> <p>Statistics for the whole of Corby borough, rural and urban include:</p> <p>Female employment rates (57.4%) , significantly lower than East Midlands (66.1%) average or GB (66.2%) levels;</p> <p>Significantly, lower skill levels than E Midlands or GB, at NVQ 1-4.</p> <p>6 urban wards have recently been designated as Assisted Areas.</p> <p>The urban wards of Corby, the project area have higher levels of need than the Borough as a whole.</p>
Luton	Following wards: Biscot, Dallow, South, High Town, Farley and Northwell	90,000	<p>All these wards experience high levels of deprivation, unemployment and underemployment as well as having a low- and under-skilled population.</p> <p>The population is relatively young and very mixed in terms of ethnicity. There are high levels of NEETs, especially in South, and high unemployment with older workers who have been made redundant from declining industry sectors. The majority of employment opportunities are in the south of the town, often outside these wards.</p> <p>A programme of activity around skills, entrepreneurship, SME growth and community resilience is proposed for all wards, to be tailored to meet the needs and different characteristics of each, and developed in conjunction with local communities. Social inclusion of marginalised communities, capacity building and community engagement will underpin skills, employment and enterprise development support, including social enterprise.</p> <p>Specific actions where identified could be to support groups such as NEETs, provide ESOL training or</p>	<p>All of these wards rank within the lowest 20% on the Indices of Multiple Deprivation, and have recently been designated as Assisted Areas.</p>

			support ethnic minority women into employment.	
DELIVERING POSITIVE OUTCOMES AND VALUE FOR MONEY CONSIDERATIONS				
<p>Research⁵⁷ sets out the added value that CLLD-type projects bring to employment and skills and how CLLD can generate better outcomes at no extra cost or risk.</p> <p>Between August and October 2012, the European Funding Network collected evidence of the effectiveness of Third Sector delivery of local projects in the form of case studies, evaluation reports and links to websites, including from European and non-European funded programmes such as LEADER, URBAN, URBACT, Youth Sector Development Fund. The research found that these interventions deliver a high return on investment especially with groups furthest away from the labour market. The evidence also demonstrates how CLLD can be more effective to increase employment and skills, can initiate new businesses start-ups/social enterprises and help reduce in poverty of deprived areas.</p> <p>Evidence from local CLLD type projects demonstrates the positive impact that such programmes can deliver. The £49m New Deal for Communities (NDC) Programme operating in Luton has helped tackle the challenges associated with unemployment. For example, traditionally, unemployment rates on Marsh Farm were significantly higher than the Luton average and there was also a low level of business activity on the estate, most of it poor quality retail.</p> <p>In August 1999 the unemployment rate on Marsh Farm was 7.1%, compared with a Luton average of 3.5% and an average amongst all NDC areas of 9.2%. Between August 1999 and August 2007, the unemployment rate on Marsh Farm fell by 2.3 percentage points to 4.8%. The corresponding reduction in Luton was 0.8 percentage points to 2.7% and amongst all NDC areas 3.3 percentage points to 5.9%. This indicates a significant narrowing of the gap between the Marsh Farm and Luton averages,</p>				

4.7.7 Anticipated impact: outputs and results

Priority 6 will contribute towards delivering all of the following ESF output and result categories and themes:

Outputs	Results
<ul style="list-style-type: none"> 15,249 of participants 5,337 of unemployed (including long-term unemployed) 2,287 of inactive 4,576 employed (including self-employed) 3,049 no. aged 15-24 	<ul style="list-style-type: none"> No. in jobs No. in active job search No. in education/training No. gaining qualifications No. engaging in positive activities to tackle barriers to work and training

4.8 Cross cutting themes

The European Commission's adopted legislative proposals for cohesion policy for 2014-2020 include a series of common principles applicable to all Funds, including the promotion of gender equality and equal opportunities (e.g. supporting the EU Strategy for Equality Between Women and Men 2011-15), non-discrimination; and sustainable development⁵⁸.

⁵⁷ See European Funding Network / National Council for Voluntary Organisations – CLLD: an essential element in the delivery of the new European Structural Funds (October 2012) http://europeanfundingnetwork.eu/policy/cohesion-policy-2014-2020/CLLD_CASE_STUDIES_FINAL.pdf

⁵⁸ Cohesion Policy 2014 -2020; Investing in growth and jobs

The purpose of Cross Cutting Themes (CCT) within the SEMLEP ESIF Strategy is to ensure that Equalities and Sustainability underpin and inform all activity financed through the Programme. The aim is to integrate, or mainstream, the themes across all activities. Mainstreaming ensures that cross cutting themes are considered at every stage of the life of a programme/project, from its development, application and delivery, to how it is monitored and evaluated.

These cross-cutting objectives follow on, and build upon, the similar themes and experience developed through the three previous regional European Competitiveness and Employment programmes for the period 2007-2013 that operated in the SEM area – these being the South East, East Midlands and East of England Competitiveness and Employment Programmes.

Management and monitoring systems will underpin the successful mainstreaming of the cross cutting themes as will robust indicators.

The SEMLEP has access to equalities and sustainability experts from across the area (including local authority officers) who will provide support on sustainability and equalities issues.

4.8.1 Equalities

Equality of opportunity is critical to the success of the SEMLEP ESIF Strategy - only by ensuring that everyone has equal access to opportunities will we achieve our vision and in this regard SEMLEP will work with businesses, providers and individuals to ensure that the duties of the UK Equality Act 2010 are understood and implemented by all in the design, commissioning, delivery and evaluation of our programmes and projects.

People from traditionally excluded groups make up a significant proportion of SEM's population and evidence shows that many experience barriers to social and economic inclusion. If exclusion continues to inhibit the prospects of these groups, economic opportunities will not be maximised and social cohesion threatened. The effective integration of Equalities into the Programme will assist more people and businesses to access the opportunities that the Programme offers and thereby improve not only their quality of life, but also the regional economy.

To support the equalities and equal opportunities theme, the ESI Fund Strategy will seek to reduce inequalities at all levels across the South East Midlands area and the purpose of the Equalities theme will be to highlight opportunities and encourage the benefits arising from them to be maximised. Objectives will include supporting women and people who face barriers in the labour market (e.g. by promoting social mobility and a fair and flexible labour market) and by supporting the needs of under-represented groups, those suffering from disadvantage and/or social and families / individuals facing multiple problems. Delivery of the Strategy will therefore promote gender equality but also recognise the importance of eliminating discrimination on the basis of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief and sexual orientation. Specifically, all of the programme activities set out in our Strategy should:

- Ensure the needs of all potential beneficiaries are considered at project design stage in order that the service is appropriately delivered;
- Ensure that community consultation is undertaken to ensure that the proposed project is designed to meet the needs of all;
- Ensure all communication mechanisms are accessible for all i.e. events, websites, promotional materials; and
- Ensure all physical regeneration i.e. new buildings and upgrading existing premises is subject to Inclusive Design Principles.

4.8.2 Sustainability

The objective of the sustainability cross cutting theme (CCT) is to minimise environmental and resource impact, respect environmental capacities, and maximise the potential for the environment as an economic driver.

The effective integration of sustainability principles into the ESI Fund Strategy can help deliver a more competitive, dynamic and innovative regional economy by embracing and responding to the economic opportunities that environmental integration provides. For example, a high quality environment can enhance quality of life, helps tackle deprivation and attracts people, businesses and investment. Improving environmental performance through measures such as energy and resource efficiency, sustainable transport and waste minimisation, saves businesses money while helping to reduce carbon emissions and reduce the whole life costs of buildings and premises. To support the delivery of sustainability, objectives will include supporting sustainable production and consumption (including the efficient use of resources), supporting sustainable communities and protecting and improving the built and natural environment.

The sustainability CCT will, where appropriate, draw on the experience and best practice established during the 2007-13 South East, East Midlands and East of England Competitiveness and Employment Programmes. Minimising a project's environmental impact and, where possible, enhancing environmental benefits will be achieved both directly by funding specific activities under each of our six investment priorities and indirectly by raising awareness of, promoting and developing environmental sustainability approaches in project design, delivery, monitoring and evaluation.

Specifically, all Programme Activities of Activity will be designed to promote mitigation and adaptation approaches to climate change and contribute to a more resource efficient regional economy by:

- Minimising the need to travel, and where necessary, taking steps to minimise the environmental impact of travel & transport (including procurement measures which allow locally produced/sustainably sourced goods and services to compete on equivalent terms);
- Wherever practicable, programmes/projects should, through the consumables they buy and use, seek to minimise environmental impact(s) and maximise cost savings through the efficient use of resources;
- Undertake to reduce, reuse, recycle or reclaim wastes and surplus materials wherever possible;
- Require subcontractors, and encourage clients and collaborators, to do the same; and
- Consider opportunities for related social and economic benefits (e.g. involvement of local groups/volunteers).

Programme Activities that involve **capital investments in land and/or buildings** should:

- Prioritise existing buildings and brownfield land as development sites (where local conditions permit);
- Achieve BREEAM "Excellent rating" for new build projects (unless site constraints or project objectives mean that this requirement conflicts with the obligation to achieve value for money) or BREEAM "Very Good rating" for refurbishment projects. Where alternative environmental assessment methods are used an equivalence rating should be achieved;
- Have regard to the conservation of biodiversity; and
- Incorporate climate change adaptation measures at design stage.

The above will apply to both Programme/project design and delivery (operational) stages. Whilst the requirements above will help to ensure low-carbon Products and Programmes of Activity, additional resource use and carbon monitoring requirements may be required to support monitoring, impact assessment and evaluation purposes.

4.9 Supporting the social innovation agenda

SEMLEP supports social inclusion as a pre-requisite for the creation of a just and cohesive society in which each individual can fully participate and realise his or her potential. Our ESI Fund Strategy will support activity under the Thematic Area 10 Social Inclusion whilst Priority 6 'Tackling Social and Economic Exclusion' is cross-cutting in nature and will be used to help target and assess investment across all other priorities to create inclusive opportunities for all and ensure that there is real change for SEM communities. We recognise the importance of social innovation as an economic driver within the EU policy arena and a priority within the Europe 2020 Strategy that commits to addressing societal challenges, including making progress towards 'inclusive, innovative, secure societies'. SEMLEP and partners supports the premise that social innovation can help achieve active inclusion by enhancing the effectiveness of policies and services in order to maximise positive social impact.

Our proposed Community Led Local Development approach described under Programme Activity 6.2 will be an important delivery mechanism for embracing social innovation and fully exploiting the associated opportunities. SEMLEP will seek to build upon the innovation and expertise of the local LEADER and Community Grants programmes in order to learn lessons and ensure rapid and effective delivery through target community-led intervention. This will include building on best practice to deliver an increased quality of services for our residents/beneficiaries, as well as improving accessibility and sustainability of services. At this stage, discussions are ongoing on the spatial targeting policy given that pockets of deprivation are both widely dispersed (a difference from a predominantly urban LEPs) and can often be masked by more prosperous areas. A degree of flexibility with the onus on project applicants to use the available evidence to make a case for funding is currently the preferred approach.

5 Financial investment framework and output targets

5.1 Introduction

The following section sets out the financial investment framework and the target outputs and results that will be delivered by the SEMLEP ESI Programme over the 2014-20 period. Consideration is also given to state aid and how the Programme will deliver value for money.

5.2 Financial allocations

5.2.1 Notional allocation

The SEMLEP has a notional allocation of EU funding worth approximately £79,54m million. The full Programme value including match funding is therefore approximately £155m).

SEMLEP and its partners would welcome the prospect of additional EU funding and feel confident that programmes could be extended to absorb greater investment reflecting the level of needs and opportunities in the area.

Table 5.1 summarises the spending profile by EU funding stream.

Table 5.1 Indicative allocations by funding stream

	€	£	Exchange rate
ERDF	43,950,000	£37,630,000	€1=£0.85620
ESF	43,950,000	£37,630,000	€1=£0.85620
EAFRD	5,345,100	£4,280,000	€1=£0.80069
TOTAL	93,245,100	£79,540,000	-

5.2.2 Total funding allocations by EU thematic objective

Table 5.2 summarises the spread of funding allocations by EU thematic objective. We have exceed the minimum requirement of 20% of ESF funding focused on social inclusion (26%) because of the sharp economic and social disparities in the SEM area and the need to both reduce those disparities and tap into the latent skills and abilities found in the more deprived urban and rural areas, skills and abilities that with appropriate support could help address skill shortages.

Priority 3 is the focus for energy efficiency and the low carbon economy and meets the minimum threshold of 20% of ERDF funding. In addition energy efficiency is addressed in other priorities, including Priority 4.

Table 5.2 SEMLEP EU 2014-20 programme indicative spend by thematic objective

THEMATIC OBJECTIVE	ERDF (£)	ESF (£)	EAFRD (£)	TOTAL (£)
1 Innovation /Research	9,475,000	0	0	9,475,000
2 ICT (Digital/Broadband)	2,000,000	0	0	2,000,000
3 SME Competitiveness	16,655,000	0	2,140,000	18,790,000
4 Low Carbon	7,750,000	0	1,070,000	8,820,000
6 Protecting the environment	1,750,000	0	1,070,000	2,820,000

8	Employment	0	15,420,000	0	15,420,000
9	Social inclusion	0	10,000,000	0	10,000,000
10	Skills	0	12,210,000	0	12,210,000
TOTAL		37,630,000	37,630,000	4,280,000	£79,540,000

5.2.3 Annual expenditure profile by thematic objective

Table 5.3 sets out the annual financial profile of the SEMLEP ESIF Strategy by thematic objective.

Table 5.3 Financial Annual Profile 2014 -2020

OBJ	2014 (£)	2015 (£)	2016 (£)	2017 (£)	2018 (£)	2019 (£)	2020 (£)	TOTALS (£)
T1	75,000	1,000,000	1,429,000	1,560,000	1,850,000	1,860,000	1,701,000	9,475,000
T2	0	200,000	240,000	300,000	404,000	440,000	416,000	2,000,000
T3	150,000	2,283,000	3,067,000	3,145,000	3,380,000	3,505,000	3,265,000	18,795,000
T4	145,000	1,225,000	1,380,000	1,400,000	1,550,000	1,570,000	1,550,000	8,820,000
T6	75,000	360,000	455,000	465,000	475,000	495,000	495,000	2,820,000
T8	285,000	2,280,000	2,300,000	2,400,000	2,525,000	2,730,000	2,900,000	15,420,000
T9	250,000	1,400,000	1,600,000	1,525,000	1,500,000	1,930,000	1,795,000	10,000,000
T10	250,000	1,630,000	2,110,000	1,925,000	2,056,000	2,189,000	2,050,000	12,210,000
TOTAL	1,230,000	10,378,000	12,581,000	12,720,000	13,740,000	14,719,000	14,172,000	79,540,000

5.2.4 Programme investment framework

By way of summary, Table 5.4 sets out the draft investment framework for the SEMLEP EU 2014-20 Strategy across each of the six priorities and associated programme activity.

The figures presented may be subject to further review and refinement and subject to the outcome of discussions with each of the opt-in organisations.

Table 5.4 Outline SEMLEP EU Programme 2014-20 Investment Framework

SEMLEP EU Priority	Programme activities	Main thematic objective(s) addressed	ERDF & ESF (includes ESI opt-in allocation)	EAFRD	Match (opt-in)	Match (other)	Total match	Total (incl. match)
Priority 1: Strengthening and exploiting SEMLEP's innovation and knowledge assets	SEMLEP Growth and Innovation Programme	T01	6,000,000	0	0	6,000,000	6,000,000	12,000,000
	Digital Technology & Demand Stimulation Programme	T02	2,000,000	0	0	2,000,000	2,000,000	4,000,000
	Low Carbon Technology & Innovation Programme	T04	1,500,000	540,000	0	1,500,000	1,500,000	3,540,000
Priority 1: Sub total			9,500,000	540,000	0	9,500,000	9,500,000	19,540,000
Priority 2: Stimulating enterprise and enhancing the competitiveness of SMEs	South East Midlands Growth Hub (including MAS £3.6m, GA - £2.65m and UKT - £2m)	T03 & T010	9,585,000	2,130,000	8,250,000	1,335,000	9,585,000	21,300,000
	SEMLEP Entrepreneurship Programme	T03 & T010	2,000,000	0	0	2,000,000	2,000,000	4,000,000
	Finance for Business Programme	T03	6,700,000	0	0	6,700,000	6,700,000	13,400,000
Priority 2: sub-total			18,285,000	2,130,000	8,250,000	10,035,000	18,285,000	38,700,000
Priority 3: Developing a low carbon economy	Resource and Energy Efficiency Programme	T04 & T06	2,750,000	540,000	0	2,750,000	2,750,000	6,040,000
	Housing Retrofit Programme	T04	3,500,000	0	0	3,500,000	3,500,000	3,750,000
Priority 3: sub-total			6,250,000	540,000	0	6,250,000	6,250,000	9,790,000
Priority 4: Infrastructure for Growth	Buildings for Growth	T01	3,475,000	0	0	3,475,000	3,475,000	6,950,000
	Enhancing local infrastructure and environments	T04 & T06	1,750,000	1,070,000	0	1,750,000	1,750,000	4,570,000
Priority 4: sub-total			5,225,000	1,070,000	0	5,225,000	5,225,000	11,520,000
Priority 5: Developing a skilled and adaptable workforce	High Level Skills for Key Sectors (includes £6m SFA opt-in and £2m DWP opt-in)	T08 & T010	14,000,000	0	8,000,000	6,000,000	14,000,000	28,000,000
	Basic Skills and Employment (includes £6m SFA opt-in and £1.9m DWP opt-in)	T08 & T010	12,000,000	0	8,000,000	4,000,000	12,000,000	24,000,000
Priority 5: sub-total			26,000,000	0	16,000,000	10,000,000	26,000,000	52,000,000
Priority 6: Tackling social and economic exclusion	SEMLEP Social Inclusion Programme (includes £0.5m DWP op-in, £2.5m Big Lottery opt-in, £2.0m SFA opt-in)	T09	6,000,000	0	5,000,000	1,000,000	6,000,000	12,000,000
	Community Led Local Development Programme	Cross-cutting	4,000,000	0	0	4,000,000	4,000,000	8,000,000
Priority 6: sub-total			10,000,000	0	5,000,000	5,000,000	10,000,000	20,000,000
Programme total costs			75,260,000	4,280,000	29,250,000	46,010,000	75,260,000	151,550,000

5.2.5 Match funding

The estimated match funding by source is summarised in Table 5.5.

Work in on-going to confirm sources of match funding and therefore the estimates below are subject to change as projects are worked up over the coming months. Discussions have been held with organisations, including The Princes' Trust⁵⁹, Heritage Lottery Fund, Groundwork, Arts Council and local partners. Groundwork have pledged to assist industrial area projects, energy efficiency and green skills. The Arts Council has been in discussion with SEMLEP over specific investments as well as a Cultural Dimensions and Creative People and Places Programme.

As much of this funding will be project related, it is not possible to provide figures for specific sources of match funding (nor are these required in the spreadsheet). In the 2007/14 funding period, partners in SEMLEP were successful in receiving public and private match funding in Bedfordshire. This was of the order of £4.4m of ESF and £4.4m of match-£8.8m in total.

Table 5.5 Sources of match funding

ERDF sources of match	Estimated amount of match (£)
Private	
Public – local	
Public - national	
Civil society	
Opt-in	
To be confirmed	
Sub-total	£37,630,000
ESF sources of match	
Private	
Public – local	
Public-national	
Civil society	
Opt-in	
To be confirmed	
Sub-total	£37,630,000
TOTAL	£75,260,000m

5.3 State aid

The objective of State Aid control is to ensure that Government interventions do not distort competition and intra-community trade. In this respect, State Aid is defined as 'an advantage in any form whatsoever conferred on a selective basis to undertakings by national public authorities'. By adopting a strategic approach to investment by identifying Programmes of Activity via the Investment Framework, aid (if present) can be minimised and where possible 'designed out' during the early stages of development. However, if aid remains, it is envisaged that the CLG technical appraisal process will detail how this is to be addressed (i.e. delivery under a block exemption).

⁵⁹ Offering match funding from their national provision for activities that support the creation of a Young Skilled workforce and Growing the Local Economy through enterprise

5.4 Outputs, results and value for money

5.4.1 Introduction

The following section sets out the estimated outputs and results that will be delivered by the SEMLEP ESIF Programme over the 2014-20 period. It must be noted that the outputs and results presented are based on consultations with partners and discussions with opt-in providers. The estimates may be subject to slight refinement as outstanding sources of match funding are confirmed following the submission of the Final Strategy in January 2014.

5.4.2 Target outputs and results

Table 5.6 summarises the estimated ERDF, ESF and EAFRD outputs and results of the SEMLEP ESIF programme.

Table 5.6 Target outputs for 2014-20

OUTPUT INDICATORS	ERDF	ESF	EAFRD	TOTAL 2014 - 2020
Outputs				
Number of enterprises receiving support	4,979			4,979
Number of new enterprises supported	918			918
Employment increase in supported enterprises (no. of jobs created)	2,789		192	2,981
Number of enterprises cooperating with research entities	434			434
Number of enterprises supported to introduce new to the firm products/markets	386			386
Additional enterprises accessing ICT products and services including broadband	190			190
Private investment match	5,267,720			5,267,720
Estimated GHG reductions (tonnes)	N/A			N/A
Number of companies supported with Business Resource Efficiency	365			365
Infrastructure site development including green infrastructure (hectares)	6.11			6.11
Total number of participants (b. + c. + d.)		37,078		37,078
b. number of unemployed (including long-term unemployed) participants		12,977		12,977
c. number of inactive participants		5,562		5,562
d. number of employed (including self-employed) participants		11,123		11,123
e. number of participants aged 15-24		7,416		7,416
Total participants trained			158	158

ERDF outputs have been calculated based on unit cost / value for money benchmarks provided in the guidance note issued by DCLG in December 2013. ESF outputs are based

on an average unit cost of £2,039 which is in line with average unit costs on previous programmes operating in the SEM area, including those delivered by DWP, SFA and Local Authorities.

Table 5.7 summarises the output totals for the SEMLEP ESIF Strategy by thematic objective.

Table 5.7 Output totals by thematic objectives

THEMATIC OBJECTIVE		OUTPUTS	NUMBER
1	Strengthening Research, Technological Development & Innovation	• number of enterprises receiving support	1,000
		• number of new enterprises supported	166
		• number of enterprises cooperating with research entities	283
		• number of enterprises supported to introduce “new to the firm” products/markets	83
		• number of jobs created	405
		• infrastructure site development including green infrastructure	2 hectares
		• private investment matching public support to enterprises	£2,500,000
2	Enhancing access to and use and quality of ICT (esp. via Broadband)	• number of enterprises receiving support	382
		• number of enterprises cooperating with research entities	100
		• number of jobs created	165
		• private investment matching public support to enterprises	£300,000
		• number of enterprises supported to introduce “new to the firm” products/markets	38
		• additional enterprises accessing ICT products and services including broadband.	190
3	Competitiveness of SMEs	• number of enterprises receiving support	2,852
		• number of new enterprises supported	657
		• number of jobs created	2,051
		• number of enterprises supported to introduce “new to the firm” products	231
		• private investment matching public support to enterprises.	£1,417,720
4	Supporting the shift to a Low Carbon economy in all sectors	• number of enterprises receiving support	617
		• new enterprises supported	69
		• number of jobs created	307
		• enterprises co-operating with research institutions	71
		• enterprises supported to introduce “new to the firm” products	27
		• enterprises supported to introduce new products to market	18
		• private investment matching public support to enterprises	£300,000
		• number of companies supported with business resource efficiency	266

		• additional enterprises accessing ICT products and services including broadband	43
		• infrastructure site development including green infrastructure	3.31 hectares
		• energy/ climate change – estimated GHG reduction	N/A
6	Protecting the Environment and Promoting Resource Efficiency	• number of enterprises receiving support	128
		• new enterprises supported	26
		• number of jobs created	79
		• number of companies supported with business resource efficiency	99
		• private investment matching public support to enterprises	£750,000
		• infrastructure site development including green infrastructure	1.3 hectares
		• energy/ climate change – estimated GHG reduction	N/A
		• additional enterprises accessing ICT products and services including broadband	57
8	Promoting Employment and Supporting Labour Mobility	• total number of participants	15,249
		• b. number of unemployed (including long-term unemployed) participants	5,337
		• c. number of inactive participants	2,287
		• d. number of employed (including self-employed) participants; and	4,576
		• e. number of participants aged 15-24.	3,049
9	Promoting Social Inclusion and Combating Poverty	• total number of participants	9,770
		• b. number of unemployed (including long-term unemployed) participants	3,420
		• c. number of inactive participants	1,465
		• d. number of employed (including self-employed) participants; and	2,931
		• e. number of participants aged 15-24	1,954
10	Investing in Education, Skills and Lifelong Learning	• total number of participants	12,078
		• b. number of unemployed (including long-term unemployed) participants	4,227
		• c. number of inactive participants	1,812
		• d. number of employed (including self-employed) participants; and	3,623
		• number of participants aged 15-24	2,416

5.4.3 Results

The SEMLEP ESI programme will contribute towards delivering all of the following ERDF results:

- businesses actively innovating to bring new products to the market;
- increase in SME productivity;
- increase in SME jobs created;
- increase in business start-ups;
- increase in the energy efficiency of companies, buildings and transport;
- smart specialisation;
- support for enterprises in development of ICT products and services including broadband;
- increase in companies deploying low carbon practises, processes, services or products;
- improving the economic viability of areas through infrastructure, investments including GI.

The following ESF results will be delivered by the SEMLEP ESI programme:

- inactive participants newly engaged in job searching upon leaving;
- participants in education/training upon leaving;
- participants gaining a qualification upon leaving;
- participants in employment upon leaving; and
- participants engaging in positive activities that address barriers to work.

5.4.4 Value for money and additionality

5.4.4.1 Assessment and prioritisation

Clear and robust mechanisms will need to be used to choose which projects to invest in within the SEM area. At this stage, the appraisal responsibilities of LEPs is not fully known as business processes are still being developed and as yet are not agreed and confirmed. We envisage that proposals will be subject to a full technical appraisal of costs, benefits, deliverability and other practicalities – in line with HM Treasury Green Book / Five Case Model.

5.4.4.2 Value for money position for the SEMLEP ESIF

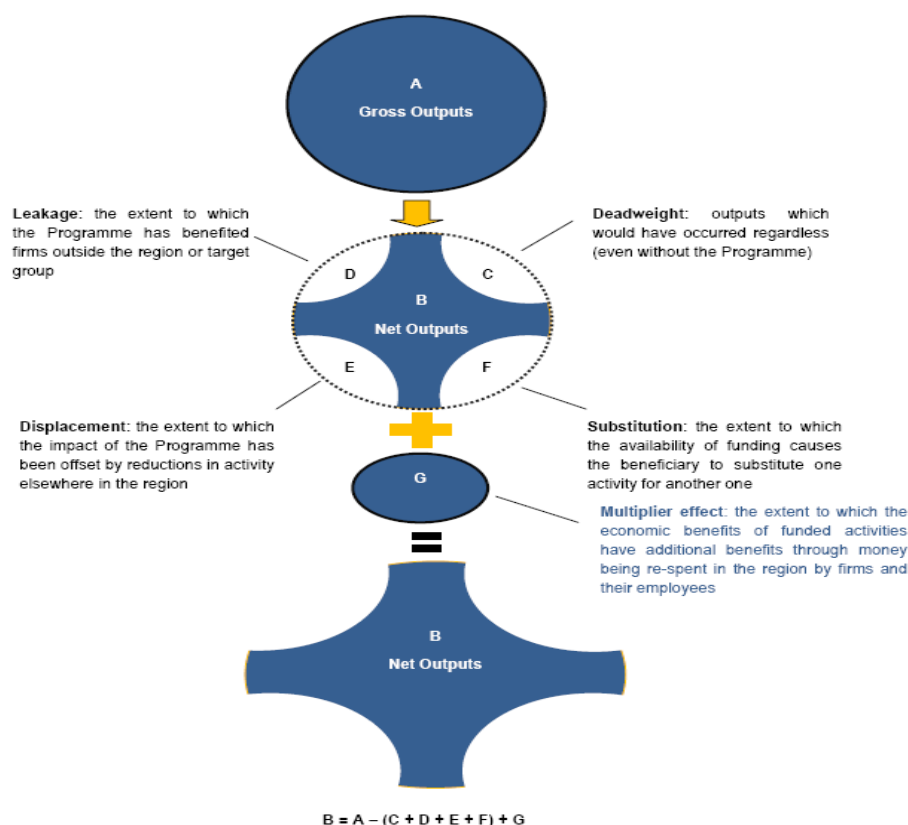
The forecast outputs have been estimated by reference to past and current programme and project unit cost benchmarks, and also the mid-term evaluations conducted for the East of England, East Midlands and South East Midlands Competitiveness and Employment Programmes 2007-13. This includes recent value for money / unit cost guidance circulated by government to LEPs prior to Christmas 2013. In calculating the outputs and results for each of the proposed programme activities, consideration has been given to a set of additionality factors.

- **Attribution:** the extent to which impacts were generated due to general economic conditions or specifically the support provided through the programme.
- **Deadweight:** the extent to which programme beneficiaries could have received their support from another source. Together with an estimate of attribution, deadweight can be used to construct a counterfactual scenario – i.e. if there was no Programme, what economic impacts would have been generated?
- **Indirect effects**, such as:
 - **Leakage:** whether impacts have ‘leaked’ outside of the target population (for a UK level intervention then leakage will be negligible).
 - **Displacement:** whether impacts have been generated at a cost to non-supported individuals/businesses. At a UK level displacement is very high. Displacement is

typically measured by exploring the extent to which beneficiaries 'compete' with other non-beneficiaries for, for instance, market share, labour etc.

- **Multippliers:** impacts generated through the supply chain expenditure of businesses supported through the programme.

Figure 5.1 *Additionality factors, to arrive at an accurate view of the benefits associated with investing in the intervention*



Source: ICF GHK (2014)

5.4.4.3 Additionality

Additionality is important to the ESIF Strategy as it implies a net positive difference that results from economic development activity. It is the extent to which an activity with its associated outputs and outcomes as well as impacts, may be larger in scale or scope, or of a higher quality, or where it creates a situation where an outcome may be quicker as a result of intervention. It is the net result which would take into account deadweight, leakage, displacement, substitution and economic multipliers some of which is also used to determine value for money

The ESIF resource available to the South East Midlands will increase the level of investment to support the key policy areas of for example, innovation, enterprise, developing the workforce, low carbon economy and supporting the rural economy. ERDF, ESF and EAFRD will be used to enable enhanced programmes of support to be delivered and it will accelerate the rate of the delivery of LEP-side and local strategies and action plans, thereby producing outputs and impacts in support of the Europe 2020 growth goals during the 2014-20 period of the Programme.

It is expected that the proposed investments will maximise the additionality of European funding and provide value for money. Nevertheless, the aim will be to deliver greater outputs (and results) than forecast through the efficient and effective delivery of the Programme. At an operational level, the appraisal and selection processes will need to confirm Programme added value before any investment is approved.

6 Alignment with national and European programmes and financial instruments

6.1 'Opt-in' models

SEMLEP welcomes the possibilities to opt-in to government supported match funding and is interested in exercising these options so long as they work to the benefit of communities and businesses in the SEMLEP area. SEMLEP has been in discussion with each of the organisations offering an 'opt-in' service and has been exploring how these would contribute to delivering the SEP and ESI Funds Strategy. Discussions are on-going regarding the precise nature of the service to be provided in SEMLEP and the expected outputs and results. This includes conversations with local partners to fully understand and demonstrate the 'local' implications of 'opting-in' to the individual offers identified below.

However, subject to the satisfactory outcome of these discussions, the SEMLEP Board has decided to 'opt-in' to the following opt-in offers:

- UK Trade and Investment;
- The Manufacturing Advisory Service;
- Growth Accelerator;
- The Skills Funding Agency (SFA);
- The Big Lottery (for Social Inclusion); and
- Department for Work and Pensions (DWP).

SEMLEP would monitor the performance of the 'opt-in' service providers and will seek to agree suitable break clauses in each agreement.

Formal opt-in offers have been received by MAS, GA and UKTI with draft MoU's issued from DWP and the SFA. Table 6.1 below provides an update on progress regarding our discussions with opt-in partners.

Table 6.1 Opt-in Position

Opt-in prospectus	Summary of offer	Current position
UKTI	<p>Discussions are on-going to ensure ERDF match for UKTI service provision is focused on key issues/opportunities affecting SME manufacturers in the SEMLEP area.</p> <p>The offer forms part of the National Export Challenge to support UK companies to export and for overseas companies to invest in the UK. Support programmes include: passport to Export (for new exporters), Global Growth (for more experienced exporters), Market Visit Support and Tradeshow Access Programme (incentives for SMEs to visit overseas markets)</p>	<p>SEMLEP opt-in is at a level of £2m. This is against a UKTI offer of up to £400,000 p.a. during the life of the programme.</p> <p>A draft Memorandum of Understanding has been received.</p> <p>SEMLEP have asked for some changes, including: Alignment with the Velocity, Pre Passport to Export support, Ensure focus on SEMLEP growth sectors</p>
Manufacturing Advisory Service	<p>Provide specialist strategic & technical support to manufacturing companies of all sizes, including supply chain interventions.</p> <p>Offer also includes grant funding (for SMEs only), of between £2K and £10K.</p> <p>The focus will be on increasing the impact of MAS interventions carried out – for example through extending the depth/number of in-depth support assignments, targeting higher growth potential beneficiaries, improving advanced manufacturing capabilities, introducing to new market opportunities etc.</p>	<p>SEMLEP opt-in level is £3.6m – this is slightly below the maximum £3.9m MAS match value.</p>

	<p>or:</p> <p>Increasing the volume of MAS interventions taken up in SEMLEP area – for example through enhanced engagement with key sectors, locations, supply chains etc and/or through enhanced attractiveness of the service proposition (although this may have to be limited due to national programme capacity).</p>	
Growth Accelerator	<p>Provide coaching for SMEs for business development, access to finance, and growth through innovation. Also provide business connection services linking businesses to facilities, specialists, networks and mentors.</p> <p>Can offer 6 to 18 months support – businesses need to contribute £600 to £3,000 towards this dependent on size.</p> <p>To meet the BIS and ERDF guidelines it is clear that any opt-in extensions will need to compliment the core GA provision to deliver additional outcomes which will need to be derived from either:</p> <p>Increasing the impact of interventions carried out – for example through extending the depth/number of coaching packages offered, targeting higher growth potential beneficiaries, introducing to new market opportunities etc</p> <p>or:</p> <p>Increasing the volume of interventions taken up in SEMLEP – for example through enhanced engagement with key sectors, locations, supply chains etc. and/or through enhanced attractiveness of the service proposition (although this may have to be limited due to national programme capacity)</p>	<p>SEMLEP opt-in level is £2.65m - this is slightly below the maximum £3.038m GA match value.</p>
Skills Funding Agency	<p>Deliver skills training based on the LEP's local skills needs as identified in the LEP Skills Strategy. This could include: adults skills training for employability and workforce development; NEET provision for those aged 14-19 Not in Education, Employment or Training (NEET); and Community Grants – small grants to civil society organisations.</p>	<p>SEMLEP to opt-in to a level of £14m.</p> <p>A draft MoU has been issued. SFA are willing to tailor their provision to address local skills needs and involve SEMLEP in procurement of projects.</p>
Big Lottery	<p>Support for civil society organisations to develop and deliver local initiatives. Examples include: "Talent Match" schemes for young unemployed; "Improving Financial Confidence" scheme to provide financial management support; "Fulfilling Lives" to support people with chaotic lives & complex needs; and "School for Social Entrepreneurs" and "Big Venture Challenge" to provide business support for social entrepreneurs.</p>	<p>SEMLEP to opt-in to a level of £2.5m. Meetings have been held with Big Lottery and BLF have promised more local interventions. Consultation events with the VCS will be held in early 2014.</p>
DWP	<p>Employability support and training for workless adults (18+).</p> <p>Also will work with employers to help them to identify and meet their labour force needs</p>	<p>SEMLEP to opt-in to a level of £4.4m</p> <p>A draft MoU has been issued – this is generic, and based on the national Job Centre Plus offer.</p> <p>SEMLEP to discuss targeting of areas of need (e.g. deprived areas being "masked" by more prosperous areas).</p>

6.2 Financial instruments

6.2.1 Access to Finance Programme

SEMLEP recognises the important role that financial instruments can play in increasing the efficiency of ESI Funds. SEMLEP has been working collaboratively with the other East Midlands LEP's to assess the feasibility of creating a **pan-LEP access to finance programme**. This has included the delivery of a market intelligence study on access to finance and business needs by Mazars⁶⁰ on behalf Derby, Derbyshire, Nottingham, Nottinghamshire ("D2N2") LEP; Leicester and Leicestershire LEP; Greater Lincolnshire LEP; SEMLEP, and Northamptonshire Enterprise Partnership.

The purpose of this work has been establish the extent to which improving businesses' access to finance should be a policy to be pursued as part of the European Structural and Investment Funds programming period⁶¹. The research also considered the use of any legacy funding from financial products commissioned by the former East Midlands Development Agency.

In developing their approach, East Midlands LEPs are working closely with the British Business Bank to identify up to £6.1m of 'match funding' available from EMDA legacy funds that can be used to support collaborative access to finance work between East Midlands LEPs. East Midlands LEPs have also considered the experience of other regions, particularly the development work undertaken in the West Midlands and the operation to date of the Finance Yorkshire JEREMIE platform. LEPs have also worked closely with officials of CLG, BIS and the Business Bank to inform their approach together with evaluating the Mid-Term Review of the English JEREMIE Funds undertaken by Regeneris Consulting and considering the experience of the East Midlands Urban Development Fund – a 'JESSICA' Financial Instrument.

6.2.1.1 Current status

East Midlands LEP Chairs and senior officers met on 29th November 2013 to consider the evidence gathered and the advice of officials from the British Business Bank, BIS and CLG, East Midlands LEPs have resolved to:

- Work collaboratively to develop interventions to improve access to finance for SMEs in the East Midlands, including potentially an East Midlands 'JEREMIE' model;
- Identify and ring-fence sums of funding in SIFs to support enhanced access to finance for SMEs; and
- Indicate to Government that they wish to use Legacy funding from RDA investment products to support a collaborative approach to improving access to finance for SMEs in the East Midlands, including the further development work detailed below and any later establishment costs.

The exact nature of any collaborative intervention will depend on the outcome of more detailed investigations and development work to meet the requirements of the European Investment Bank's 'ex ante evaluation' process for financial instruments, particularly addressing more targeted market assessment, intervention modelling, viability testing and development of effective models of governance and routes to market. Intervention modelling and viability testing will include an assessment of potentially working with one or more other regions. East Midlands LEPs will seek to complete this further development work, to a

⁶⁰ East Midlands LEPs, Business Finance Market Analysis and Product Development. Mazars (Sept 2013)

⁶¹ Whilst the report provides a high level evaluation of need it does not provide the full range of information to establish a successful financial instrument. It does not fully substantiate the demand for equity, equity linked, mezzanine, seed-corn, loan guarantee or other non-debt related investments nor model the impacts of different products or types of intervention or forecast returns or economic impact nor model how the relationship with existing 'local' products can be managed.

standard necessary to complete an European Investment Bank ex-ante appraisal, by December 2014.

East Midlands LEPs will consider this further detailed research and development work before confirming any formal funding contributions to a collaborative financial instrument such as a JEREMIE. Until any funding contributions are confirmed, East Midlands LEPs have provisionally identified and ring-fenced sums of ERDF to promote SMEs access to finance as detailed below. Any final commitment of funds by LEPs in the East Midlands to a collaborative product would depend on:

- Consideration of the further development work to be concluded by September 2014;
- Agreement on an equitable apportionment methodology for contributions and outcomes;
- Confirmation of the extent of 'match' from RDA legacy funds and other sources.

Table 6.2 Access to Finance Summary

LEP	'Ring-fenced' Access to Finance allocation from ERDF (£m)
D2N2	£19.1m
Lincolnshire	£5m
Leicestershire	£6m
Northamptonshire	£3m
SEMLEP	£6.7m
Total	£39.8m

6.2.1.2 Next steps

In taking this forward and based on advice from BIS, CLG and British Business Bank colleagues it has been decided that an additional expert piece of evidence will be commissioned to inform the next stage and input to the ex-ante assessment. This work will help to inform how the partnership would utilise the RDA legacy investment in a far more detailed and evidence based manner, and thereby provide reassurance to the British Business Bank of the value for money case on how we re-invest the legacy funding. An outline brief has been prepared, and will include four stages of assessment:

- Stage 1: market assessment – establishing market failure
- Stage 2: assessing the appropriate risk finance measures to tackle key market failures
- Stage 3: identification of preferred solution / portfolio of solutions
- Stage 4: business planning and implementation

This exercise will allow us to demonstrate more fully to the British Business Bank and our respective boards who will be making decisions on the allocation of European Structural and Investment Funds, on the use and impact of an Investment Fund or other approach. It will identify how any intervention will be managed and look at issues of market failure, critical mass and deliverability. If East Midlands LEPs decide to establish a region-wide JEREMIE, and assuming that there are no unreasonable delays in the process and that clarity about the Commission's requirements from the ex-ante appraisal criteria are published in due course, it is anticipated that, from the point of decision, a fund could be launched within 12-13 months.

An indicative timescale is suggested below.

Table 6.3 Access to Finance Timetable

Action	Month
Decision taken on whether or not to establish an East Midlands Jeremie	1 (Dec 2014)
Allocation of budget and resources for the creation of the fund	1
Soft market testing of potential fund managers (February-March 2015)	1 to 2
Negotiation of co-finance from public and private sources (Feb- June 2015)	2 to 6
Establish fund vehicle and governance arrangements (March-June 2015)	2 to 6
Preparation of Ex Ante Appraisal	3 to 6
Procurement of Fund Manager	6 to 9
Negotiation of contract with Preferred Fund Manager	9 to 11
Marketing of Fund	11-12
Formal opening of fund	12 (Dec 2015)

6.3 Local Impact Funds

In addition to the above mechanism SEMLEP are investigating the creation of a Local Impact Fund. This fund is likely to provide a mix of investment to Voluntary Sector Organisations together with a programme of tailored business and investment readiness support. The fund could provide a revolving mix of loan, equity and grant finance to achieve sustainable social and economic outcomes together with support for social organisations to develop the financial, managerial, and business skills needed to apply for, manage, and repay investments.

6.4 Ensuring complementarity with other European programmes

SEMLEP will seek to ensure that complementary investment is secured from other European programmes. These may include:

- **Horizon 2020** – the EU Framework Programme for research and development will be considered in relation to opportunities for Research, Technology, Development and Innovation, helping bridge the gap between research and the market; employment and SME support; enhancement of R&D infrastructure and a supportive 'growth environment' for SMEs – for example through investment in key enabling technologies, greater access to finance; research into common challenges across the EU including climate change, sustainable mobility and an ageing population;
Five Public-Private Partnerships, called 'Joint Technology Initiatives' (JTIs), have been established which are open to a wide range of industries across Europe, including SMEs, and all types of research organisations up to 2020:
 - **Innovative Medicines 2 (IMI2)**: to develop next generation vaccines, medicines and treatments such as new antibiotics. The estimated budget of IMI2 is €3.45 billion. The EU will contribute up to €1.725 billion from Horizon 2020;
 - **Fuel Cells and Hydrogen 2 (FCH2)**: to expand the use of clean and efficient technologies in transport, industry and energy. The proposed budget is €1.4 billion.

The EU expected contribution will be up to €700 million from the Horizon 2020 programme budget;

- **Clean Sky 2 (CS2):** to develop cleaner, quieter aircraft with significantly less CO2 emissions. Estimated budget of CS2 is €4.05 billion. The EU will contribute with €1.8 billion from the Horizon 2020 programme budget;
 - **Bio-based Industries (BBI):** to use renewable natural resources and innovative technologies for greener everyday products. Estimated budget of this new initiative is €3.8 billion. The EU will contribute €1 billion from the Horizon 2020 programme budget. The industrial partners will commit €2.8 billion;
 - **Electronic Components and Systems (ECSEL):** to boost Europe's electronics manufacturing capabilities. The estimated budget of the ECSEL JTI is expected to reach €4.815 billion. The EU will contribute up to €1.215 billion and the participating Member States €1.2 billion. The industrial partners will contribute at least half of the total costs of around €2.4 billion in kind.
- **COSME** – the Competitiveness of Enterprises and SMEs Programme may provide opportunities for intervention direction through access to finance and export markets (e.g. support for existing entrepreneurs); and developing a more prominent role for self-employment (e.g. support for 'future' entrepreneurs) and business development as important sources of growth and job creation.
 - **LIFE** – particularly in terms of opportunities for integrated projects in the areas of climate change mitigation, protecting the environment and supporting the drive towards a low carbon economy, which forms a key component of the SEMLEP EU 2014-20 Programme; and,
 - **The European Territorial Co-operation Programme** – exploring approaches for cross-border collaborations.

7 Governance, risk and monitoring arrangements

7.1 SEMLEP's Partnership Architecture

7.1.1 Context

SEMLEP is a company limited by guarantee. It has a Board which has recently expanded and now includes eight private sector board directors and seven public sector board directors, a representative of the Higher Education and Further Education sectors and an observer from the Voluntary and Community Sector. The Chair is from the private sector.

This creates a strong Board, which is able to make decisions around the allocation of resources. This has been demonstrated through the delivery of Growing Places Fund resources.

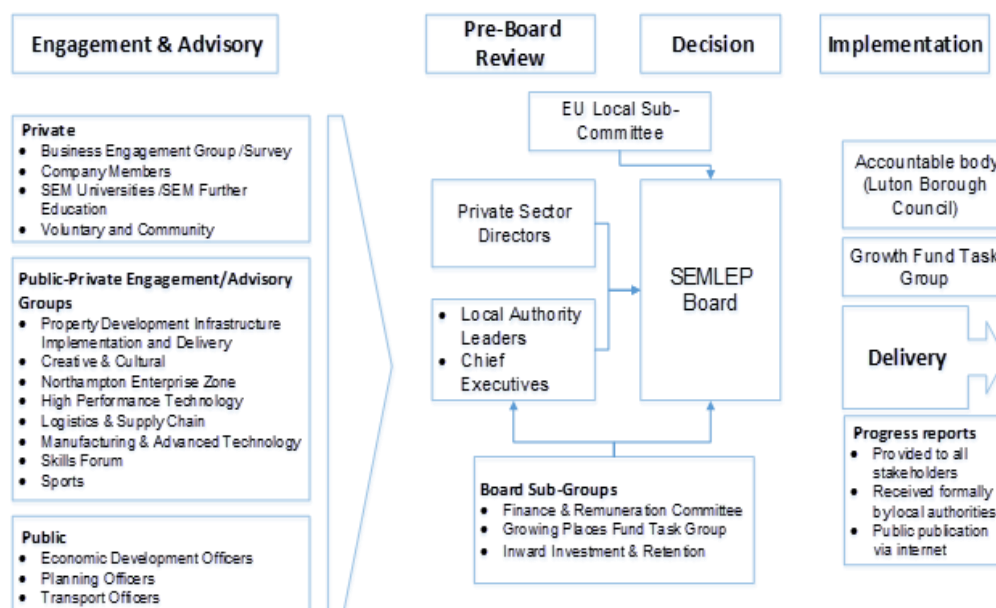
There are 11 local authorities in SEMLEP and all 11 Leaders meet on a regular basis to review Board papers and feed their thoughts into the Board. SEMLEP has a number of advisory and enabling task groups on which private sector and public sector representatives sit. Each task group has terms of reference which are published on the website. These groups ensure that the Board has information from a representative range of experts, local authority officers and advisers on which to base its decisions.

7.1.2 Governance arrangements

The successful delivery of funds within the European Growth Programme will depend on close working between the Managing Authority and local partners. SEMLEP has a clear governance structure that ensures that we are able to deliver our programme of projects efficiently and effectively. A model of governance has been developed that is designed to build on what is already working well, provide opportunity for wider stakeholder engagement, increased private and public sector joint working and to meet government's key tests. Our model has been designed to reflect the strategic priorities within our Strategic Economic Plan and to ensure that there are specific bodies with responsibility for implementing both the SEP and the ESIF ensuring that delivery and all audit and regulatory compliance is recognised within this structure.

The diagram below demonstrates how we are proposing to manage the decision making process and implementation of key UK government and European funding streams.

Figure 7.1 SEMLEP governance and delivery arrangements



Our Board (which will constitute a Local Management Committee) is at the heart of the decision-making process with its comprehensive coverage of the private sector, local authorities, Higher and Further Education, the Voluntary and Community Sector and Social Enterprise. The Board will be supported by a local EU Sub-Committee that will work with local partners and the Managing Authority to develop a pipeline of projects in line with EU regulations. The work of the Group will be reported to the SEMLEP Board with a regular written report.

An overview of the key roles, responsibilities and membership of key bodies within the SEMLEP governance framework is set out in Table 7.1.

Table 7.1 Roles, responsibilities and membership of key SEMLEP governance bodies

Body	Role	Membership
SEMLEP Board	Leadership and strategic responsibility for growth agenda in SEMLEP, including effective delivery and stewardship of ESIF and Local Growth Funds and delivering private sector accountability. The Board will constitute a Local Management Committee.	Private sector, 7x Local Authorities, Chamber of Commerce, HE/FE sector, and Voluntary and Community Sector.
EU Local Sub-committee	Operational arm of LEP Board on ESIF. Lead body in managing delivery and compliance issues. Terms of Reference provided below. The Group will be delegated with authority to take day to day decisions about the management and delivery of ESIF projects as agreed by the Board. The Board will receive regular progress reports.	Representatives from public, private, third sector, civil society, and relevant specific interest groups. The Managing Authority will be invited. Full details of membership are provided below.
Growth Fund Task Group	To enable the Board to manage the delivery of the LGF programme of projects. The Group will be delegated with authority to take day to day decisions about the management and delivery of projects as agreed by the Board. The Board will receive regular progress reports.	Membership will include, for example LA CEOs, SEMLEP Chief Executive, Chief Executive or designated representative from overlapping LEP areas (NEP, Bucks Thames Valley and Oxfordshire).

7.1.3 Terms of reference of the EU Local Sub-committee

Purpose

The EU Local Sub-Committee will provide a formal basis for the relationship between the Managing Authority and the LEP. The Local Sub-Committee will work with local partners to develop a pipeline of projects.

Role, duties and responsibilities

The Committee will:

- work with the Managing Authority to develop and design calls for applications for the SEMLEP area in line with EU regulations;
- agree with the Managing Authority what calls for applications should take place and when;
- receive all outline applications and discuss their strategic fit, value for money, additionality and fit with the objectives as set out in the SEMLEP ESIF strategy;

- consider the full technical appraisal carried out by the Managing Authority and agree which outline applications are regarded as priorities and areas in which further work may be needed;
- consider all full applications and agree which are regarded as priorities;
- oversee the delivery of investments and outputs through having access to all project data for the area, including spend, milestones and results;
- challenge the Managing Authority and be informed of any sanctions applied;
- engage in the programme evaluation to be carried out by the Managing Authority including for example providing input at each stage of the evaluation and feedback on the final report; and
- identify key programme delivery risks and recommend measures to mitigate these or escalate to the SEMLEP Board.

Reporting arrangements

The work of the Group will be reported to the SEMLEP Board with a regular written report.

Notes of meetings

The SEMLEP team will provide secretariat support for the Group. Notes of meetings will be distributed to group members within two weeks of each meeting.

Frequency of Meetings

The Sub-Committee will meet initially every 2 months.

Membership

- Local authority Chief Executive with lead role on EU matters (Chair)
- Representative of Managing Authority
- SEMLEP Head of Enterprise
- SEMLEP Head of Infrastructure
- Local authority representatives (5)
- Private sector representatives (3)
- SEMLEP Board observer for Voluntary and Community Sector
- Representative from rural organisations
- Local Nature Partnership representative
- Environment Agency
- Trades Union representative
- HE representative
- FE College representative
- Opt-in Agency representatives will be invited to attend as required.

Others will be invited to attend as and when necessary to support their work programme.

7.2 Managing overlap with neighbouring LEPs

This section has been discussed and agreed with all of the LEPs that have overlaps with SEMLEP, with the caveat that it will be subject to review once there is more clarity from Government about the roles of LEPs in this process and how they are expected to work with the Managing Authorities:

There are 5 local authorities that are both in Northamptonshire Enterprise Partnership (NEP) and SEMLEP, one that is both in Oxfordshire LEP and SEMLEP and one that is both in Bucks Thames Valley LEP and SEMLEP. All of these LEPs are committed to working

together collaboratively to ensure that the residents, businesses and voluntary and community organisations in the areas of overlap experience a smooth and seamless operation with respect to the funding regimes and opportunities for delivering projects that will materialise across their respective areas.

Ensuring Delivery:

Investment Planning: As soon as the formal programme is approved, all are committed to ensuring that ESIF activity and investment is underway as soon as possible. This is reliant on a sophisticated approach to programme development that recognises the needs of local businesses and individual beneficiaries, relevant project opportunities, availability of match funding, and the ability of the area to absorb investment within the quantum proposed for each Thematic Objective. A joint planning exercise has therefore been completed by SEMLEP, NEP, BTVLEP and OXLEP to assess each of these factors, the results of which are summarised below:

Investment Planning Issue	Outcome of Assessment
Addressing the needs of businesses and individual beneficiaries	All LEPs have developed a comprehensive evidence data base and analysed this to ensure the appropriateness of the proposed investment under each Thematic Objective. Therefore there is a strong fit between the proposed activity and the needs of the beneficiaries.
Relevant Project Opportunities	The eligible activities identified under each Thematic Objective have been selected on the basis of an understanding of investment opportunities in the local area, including those being delivered by the opt-ins. This has included discussions with key providers of public match, outside the opt-ins, to understand future project proposals and investment plans.
Availability of match funding	All LEPs have looked at the issue of match funding to ensure that there is sufficient public match available for both the ERDF and ESF programmes at the level of individual Thematic Objectives. Opt-Ins or pre-matched projects are being effectively utilised to provide significant match finance.
Absorption	The proposed total expenditure across all of our areas of overlap for each Thematic Objective has been reviewed to ensure that there is likely to be sufficient eligible activity and beneficiary interest to deliver both programmes. No major absorption risks were identified.

Commissioning Activity: An agreed approach to commissioning activity has been developed which will operate for all ESIF activity. Activity to be delivered within the opt-ins will be individually commissioned by each of the LEPs, but with a side-by-side review to ensure complementarity of investment across the area. Commissioning frameworks for activity outside the opt-ins will be developed collaboratively to ensure the additionality and added value of the proposed activity and investment. Joint commissioning frameworks will be developed and procured when, and if, appropriate.

Managing Performance: Performance management arrangements are being put in place by all LEPs to ensure that providers' delivery is effectively monitored and managed in terms of the opt -ins and pre-matched projects. All LEPs will ensure that they have the appropriate skills and resources to carry out their roles (once these are clarified by the respective Managing Authorities). This may involve the appointment of lead senior officers who will act as Commissioning and Performance Managers for each opt-in organisation. Their role will be to shape commissioning frameworks, oversee procurement activity, make sure that programme activity is mobilised at pace, develop financial and outcome reporting arrangements, monitor programme performance, identify delivery risks and ensure that appropriate mitigation plans are in place to address these. For activity outside the opt-ins,

the Commissioning and Performance Officers will adopt a similar role, albeit working closely with the Managing Authority to ensure that there is clarity of roles and responsibilities and added value with each.

Ensuring Compliance: The role of the Managing Authority for ERDF and the use of the opt-ins for both ERDF and ESF reduces significantly the risk of non-compliance. LEP activity will be compliance checked by national Government or its appointed opt-in organisations. In agreeing the Memorandum of Understanding (MoU) with each opt-in organisation, the LEPs will make sure that arrangements are put in place to ensure visibility across each funding stream so that there is no potential for double funding or State Aid breach across opt-ins. In negotiating MoUs, the LEPs will also ensure that each opt-in has systems in place to avoid double funding of beneficiaries, to ensure wider compliance and effectively account for investment, activity and outcomes for each of the LEPs.

The Managing Authorities role on directly appraising all ERDF projects and the role of the opt-ins in ensuring compliance means that risks are minimised and limited to directly commissioned ESF and EAFRD activity. Each LEP has access to officers with experience and knowledge of European Programmes who will be responsible for competing compliance checks on each project applicant prior to any funding award. The compliance checks will be based upon those adopted by the Managing Authority to ensure robust arrangements are in place across the whole programme.

Governance and Management Arrangements: Each LEP has put in place governance arrangements which provide for the effective management of the ESIF Strategy and the activity and investment supported by this. These arrangements are designed to be compliant with EU Regulations on stakeholder engagement. Importantly, the governance structures should also provide the Managing Authority with overall programme oversight.

In addition to the new governance arrangements, LEPs are proposing to establish a series of joint Delivery and Compliance Review Groups consisting of senior officers from the LEPs and representatives from the relevant Managing Authority. This Group will complete a detailed review of all ESIF related activity (commissioning frameworks, beneficiary lists, financial, output and outcomes reports etc.) to ensure that there is no duplication of funding, breach of State Aids or wider compliance issues or risks. It is envisaged that there will be a Compliance and Delivery group for each area of overlap. These Groups will provide regular reassurance reports to each of the LEP's respective European Governance Bodies so that partners are fully appraised of delivery and compliance issues.

7.3 Cross-LEP collaboration

SEMLEP is committed to working collaboratively with neighbouring LEPs, including NEP, OXLEP, BTVLEP and East of England LEPs – and have undertaken outreach consultation in conjunction wherever possible. There is an understanding that going forward, when commissioning activity across areas of mutual interest, we will avoid duplication of resources.

To that effect, since the 7th October submission we have held a number of meetings, to tease out synergies, dissonances and opportunities for collaborative added value. Areas of collaboration are shown for illustration purposes only at this stage and need to be explored in much more detail before detailed information can be provided.

7.3.1 Evidence of collaboration

The SEMLEP area shares a partially overlapping geography with the Northamptonshire Enterprise Partnership, who are also progressing activities to focus and stimulate their own key sectors, which the NEP currently identify as:

- High Performance Technologies (see text box below)
- Logistics
- Food and Drink
- Creative and Cultural Industries

The two LEPs have established a formal agreement to co-operate and share knowledge where appropriate and it is evident that promotional and development work on key sectors is an area where mutual interests should be as coordinated as possible, both to minimise confusion locally and to maximise best use of limited resources.

The East of England LEP network is supported through EU Connects and SEMLEP is represented on the East of England European and International Affairs Panel as well as the legacy of the contribution from established funding mechanisms such as the Low Carbon Innovation Fund that seek to invest venture capital into low carbon as well as cultural enterprises.

Evidence 1 High Performance Technologies

SEMLEP will be involved in an event at Silverstone circuit in the run up to Grand Prix week in July. The event, organised by 6 LEPs, will provide a forum for businesses within HPT to network and hear about technological change within the industry, as well as being a platform to launch the sector wide proposition for inward investment. The event will be focused around three themes:

- Innovation and development within materials & composites;
- Powertrain reliability & integrated vehicle health management; and
- Energy recovery, efficiency & storage.

There will be a keynote speaker (the Prime Minister is being approached) and exhibition space which will showcase new technologies within the market. Additionally, in conjunction with 5 other LEPs, SEMLEP is developing a motorsports prospectus which will be distributed overseas via UKTI. The LEPs involved are: SEMLEP, Leicester & Leicestershire, Northamptonshire Enterprise Partnership, Coventry & Warwickshire, Bucks Thames Valley and Coventry & Warwickshire.

7.4 Risk assessment

In developing the ESI Funds Strategy, SEMLEP has been considering the issue of risk. A risk register is being developed in discussion partners and following clarification on the role of LEPs in the delivery process. The risks will be grouped under the following types: strategic; operational; financial; and implementation. An assessment of the severity associated with each risk will be carried out based upon a judgment about impact and probability. Preliminary discussions with partners, in particular those with a previous track-record of delivering ERDF, ESF and LEADER programmes, have identified a number of risk areas, including:

- Establishing and enabling new processes – establishment of new arrangements, processes and procedures will be essential, learning from good practice from previous administrative arrangements by DCLG, DEFRA and others;
- Programme and project appraisal – ensuring that programme/project applications can be speedily considered, perhaps in regular ‘calls’ for projects to introduce an element of competitive selection to assist value for money;
- Effective programme/project monitoring – including the development suitable mechanisms to reduce problems with non-delivery;
- Partner engagement - ensuring that there is continued ‘buy in’ from partner organisations (e.g. private and civil society sectors) will be an important factor in ensuring the successful delivery of the Programme; and
- Ensuring momentum– it will be important that the Programme be launched and gains momentum at the earliest opportunity.

A draft risk management and mitigation register is attached in Annex 5. This document is in outline only and will be further developed and refined as the roles and responsibilities of LEPs are defined over the coming months.

7.5 Monitoring and evaluation

SEMLEP is working with South East Midlands EU sub-group to develop and implement a robust performance management system. Members of the EU sub-group have a strong track record in delivering and managing European funded programmes and collecting and monitoring local economic and project level data.

7.5.1 Monitoring

The majority of monitoring activity will be based on financial data and those indicators referenced in the National Operational Programme. Quantitative data against the following categories will be monitored and used to identify the physical progress of the SEMLEP ESIF Programme:

- Achievement of outputs and results;
- Financial information including commitment levels, forecast information and achievement of spend against N+2 targets;
- Number of projects, project location and sector breakdown;
- Breakdown of the use of funds by thematic objective and programme activity; and
- Cross-Cutting Themes using demographic data and Strategic Environmental Assessment (SEA) indicators.

The primary means of collating quantitative data will be through the submission of quarterly claims from projects that will be delivered under each programme activity. A Management Information System is being designed to capture all required quantitative data to facilitate monitoring the SEMLEP ESIF Strategy overall performance. Business processes are yet to be confirmed, however we envisage that the main method of reporting the SEMLEP ESIF Strategy's performance will be through the completion of an Annual Implementation Report (AIR), which must be considered and endorsed by the Managing Authority prior to submission to the European Commission. The AIR will provide a clear overview of the implementation of the Programme for each year of delivery and will include quantitative data and narrative assessments derived from Programme monitoring activities.

7.5.2 Evaluation

The overall aim of evaluation is to understand the effectiveness and impact of SEMLEP ESI Fund Strategy in delivering the overarching vision for the LEP area, **“to be amongst the most innovative, successful and high performing economies in England by 2020”**.

Business processes, and in particular the monitoring and evaluation responsibilities of LEPs are still to be confirmed, in addition to the timing requirements of such activity. We would envisage that that LEPs and their partners would be required to feed into the following evaluation activities during the 2014-20 programme period.

- Interim Programme Assessment
- Mid-term Programme Performance and Impact Evaluation
- Final Programme Performance and Impact Evaluation

The results of each evaluation exercise would be reported to the PMC for consideration and endorsement, and thereafter to the European Commission.

