

NORTHAMPTONSHIRE'S EUROPEAN STRUCTURAL AND INVESTMENT FUND STRATEGY 2014-2020

Driving Northamptonshire's Economic Growth

supporting the creation of a £20bn economy and 32,500 jobs

Strategic Imperatives



Strategic Priorities

Growing our Economy

Innovation
SMART Specialisation
Commercialisation - New Products and Processes
Access to Innovation/ICT
Innovation Finance

SME Competitiveness
Growth Hub
Enterprise Hubs
Finance for Business
Low Carbon Economy

Growing our People

Sustainable and Equitable Growth
Local Impact Fund
Community Led Local Development
Access to Employment

Responsive and Adaptable Workforce
Sector Skills
Youth Support
Return to Work

Financed by

European Regional Development Fund
European Social Fund
European Agriculture Fund for Rural Development



Results

Additional GVA, Jobs Created, Businesses Created,
Increased Employment, Skilled Workforce, Improved Productivity

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Foreword

I am delighted to present the European Structural investment Fund for Northamptonshire. In developing our ESIF strategy we have strived to ensure that it is consistent with the vision outlined within the Northamptonshire Strategic Economic Plan and to ensure that Structural and Investment Funds play a full part in achieving our overarching goal of improved productivity, additional job creation and providing employment opportunities for all by creating a workforce which meets the current and future needs of business.

Northamptonshire is ***The Place for Growth*** - perfectly positioned at the heart of the country and the crossroads of the rail and road network, providing a premier location for inward and local investors. Importantly, Northamptonshire has a serious appetite for growth, welcoming employment and housing development, with a portfolio of market ready sites and premises to deliver on our ambitions.

We host a series of world class businesses, which are proud to call Northamptonshire their home including Barclaycard, Carlsberg UK, Cosworth, Mercedes Benz, Tata Steel, Tesco distribution, Churches Shoes, Yusen Logistics, Wacoal Eveden, Cummins Engines, Silverstone Circuits and Weetabix. Northamptonshire is also home to a vibrant and entrepreneurial SME base, which has resulted in the 'Most Enterprising Place in Britain' award. NEP has an excellent track record to build upon, with 95% of our businesses commending us.

On behalf of the Board, I would like to thank all of our partners for their contribution to the development of the ESIF and their ongoing support for NEP in driving forward the economy of Northamptonshire. NEP works closely and productively with SEMLEP and our neighbouring LEPS on areas of mutual interest, and look forward to continued joint working on the further development and implementation of the ESIF and the SEP.

The Board and I are fully committed to the next stage of the journey and are gearing up for delivery. We are putting into place new working arrangements to drive forward this ambitious plan **and** ensure that we are accountable to all our businesses, our delivery partners, stakeholders, Government and the European Commission for the stewardship of significant funding. We already have a strong, well-resourced and high performing team, which stands ready to make the ambitions within our ESIF and wider SEP ambitions. .

Finally, we look forward to working in collaboration with Government, business and our wider partners and stakeholders to deliver economic growth, increased prosperity, more jobs and a well-qualified workforce.



Paul Southworth
Chair

Executive Summary

Introduction

This European Structural and Investment Funds (ESIF) Strategy outlines Northamptonshire Enterprise Partnership's (NEPs) aims and aspirations for the 2014-2020 European Structural and Investment Funds. The Funds represent an important opportunity for Northamptonshire to drive forward economic growth and boost productivity in a way that builds upon existing strengths and opportunities and addresses those issues that are constraining growth.

The ESIF sits within the strategic framework of the Northamptonshire Strategic Economic Plan (SEP), supporting the delivery of the overarching aspirations within it. The Strategic Economic Plan is rightly ambitious, recognising that Northamptonshire is a strong performing economy in relative terms, has a real appetite for growth and the delivery capability to realise this ambition.

The ambition is to grow Northamptonshire's economy from its current £15bn to £20bn by 2021, delivering growth levels 1% over and above those achieved nationally and increase the number of jobs in the economy to 397,500 by 2021 and 435,000 by 2031. The population will have grown to 774,832 by 2021, hitting 834,647 by 2030¹ continuing to significantly exceed national population growth.

This is a realistic proposition as Northamptonshire has demonstrated faster economic recovery and retained very high levels of employment, during the economic downturn. High employment density and low levels of unemployment mean that Northamptonshire is well placed to support national economic recovery, and remain a net economic contributor to UK plc. The ESIF is intended to provide a framework for the investment of Funds in Northamptonshire over a seven year period from 2014 to 2020 inclusive.

The ESIF Strategy has been in development since May 2013 and has been produced with the support and collaboration of all key partners, including other Local Enterprise Partnerships. The strategic priorities within the ESIF are evidence based and flow from an analytical review to ensure that there is focus on those things that are most important to delivering sustained **and** sustainable economic growth. They were also developed based upon consultation with key partners during the production of the ESIF and SEP to make sure that activity meets the needs of local businesses, people and communities, and that there is commitment to the delivery of the agreed priorities.

The analysis identified a series of strategic imperatives that will either accelerate or potentially inhibit growth, if not addressed, namely:

- **Innovation** – working with our business base to develop open innovation and create innovation networks within and across sectors and with recognised centres of excellence.
- **Productivity and Competitiveness** – developing the productivity and competitiveness of our SMEs; accelerating growth in our priority sectors; identifying and growing new priority sectors; developing inward investment activity; and restoring our productivity premium.
- **Population Growth** – providing the opportunity to grow the economy further, faster as this contains a significant element of inward migration, which is ensuring that the working age population is not facing serious demographic challenges.
- **Employment and Skills** – whilst enjoying excellent employment levels, Northamptonshire has lower levels of skills attainment at every level, and this is a key issue that will need to be addressed to develop our knowledge economy and attract higher value added jobs.

The Draft Strategic Economic Plan and the Northamptonshire ESIF both provide the necessary framework for Northamptonshire, Government and the EU Commission to co-invest to deliver sustainable economic growth.

¹ Cambridge Centre for housing and population Research – 2013.

Section 1: Introduction and Context

Northamptonshire has serious ambition and appetite for growth, alongside a track record in delivering this, both economically and population-wise. In the last decade an additional 40,000 jobs have been created, the population has increased by 6,000 year on year, and the prosperity of every person has grown by £500 per annum. Northampton has had the strongest recovery from the recession of any town in the country.²

The area is therefore well placed to play an important role in economic recovery, growing its current £15bn economy to £20bn by 2021. Northamptonshire already supports 365,000 jobs having grown in number by some 13% in the last decade.

Section 2: Economic Analysis

The analysis shows that Northamptonshire is maintaining high levels of employment and the economic outlook up until 2020 is encouraging particularly in terms of employment creation. Baseline forecasts suggest that total employment will increase by more than the working age population which means that employment will continue to increase beyond its pre-recession peak.

The main issue going forward will not be the number of jobs created in the economy, but the sectors in which they will be created. Efforts must be made to address the local economy's sectoral structure and attract higher value added jobs in the four key sectors of High Performance Technology, Logistics, Creative and Cultural industries and Food and Drink – especially given that the contraction in manufacturing employment is set to continue. It is also important that those sectors demonstrating the potential for accelerated growth are supported to achieve this.

It is also the case that whilst some parts of Northamptonshire have been enjoying strong growth and improved economic performance in recent years, there are particular localities that are starting from a low base with high levels of deprivation and low levels of economic activity. Often these are areas that have suffered from decades of decline associated with industrial restructuring and changes to the rural economy.

The analysis points to a number of specific weaknesses that need to be addressed by the Northamptonshire ESIF:

- Relatively poor performance in respect of process and product innovation
- Relatively low levels of resource efficiency in the production of waste and low levels of renewable energy generation
- Limited employment opportunities of people living in disadvantaged and remote areas, categorised into three groups: urban, peripheral and former industrial areas
- Low level of skills at every level, particularly the continuing lag in level 4 attainment that can act as a constraint on economic growth
- Lack of appropriate infrastructure including land and premises for high end businesses

Section 3: Northamptonshire Vision

This section of the document sets out an approach that will enable ESIF to support Northamptonshire's overall growth ambition by addressing specific challenges and exploiting opportunities. This builds upon the existing strategic priorities outlined in the Northamptonshire SEP.

The SEP's overarching vision is to:

Increase the prosperity of Northamptonshire's people and businesses by creating high skilled employment opportunities within the most connected, safe and vibrant place to live, work and do business.

The ambition is to demonstrate how by 2020 an integrated partnership between the LEP and its partners will provide the leadership required to drive sustainable growth and job creation by building

² This view is supported by a recent report by the Centre for Cities think-tank which has shown that Northampton has made the biggest recovery from the recession in the country. Reflecting this Northampton moved from a 61/63 rank to a 7/63 in four years.

on the strengths and opportunities within Northamptonshire and addressing the key issues that affect the realisation of our ambition for growth. This will be delivered through the effective use and alignment of resources across all partners to stimulate growth.

Section 4: Northamptonshire ESIF - Investment Priorities

In Northamptonshire, alongside other areas in England, there are a number of well-documented challenges which need to be addressed in order to remove barriers to growth. Fundamental to this is the national economy emerging into a period of sustained economic growth, which will help provide the impetus for companies in Northamptonshire to invest and develop their future growth plans.

The duration of the economic slowdown has meant that many smaller businesses are not in a good position to take advantage of an improving national economy. Many companies have been forced to down size or cut back on activities such as training and marketing. Providing business with the confidence and support to invest in growth is an important objective for local partners.

The barriers to growth and market failures include:

- The uncertainty of outcomes, time and developments costs of **undertaking innovation and commercialisation**, a key strand in improving productivity, and already recognised as a significant market failure in current EU programmes
- **Lack of information and knowledge** of university and other innovation and technical expertise to support product development and process improvements for many SMEs
- Limited resources and expertise available to SMEs to **develop growth and business improvement plans**, another key strand in improving productivity and exacerbated by the recession and low levels of economic growth of recent years
- The uncertainty and perceived risk in **exporting**, particularly with regard to new markets, a key strand in maintaining manufacturing competitiveness and employment, and recognised by the work of UKTI
- Market failure with regard to **sustainable development objectives**, with a number of outputs and outcomes regarded as social goods, rather than commercial activities which the private sector could undertake, and other key objectives requiring government support (which changes over time and is dependent on policy initiatives)
- **Company reluctance to undertake and/or support training** including apprenticeships, often fearing that better trained personnel will leave and evidenced regularly in company skills surveys.
- **Skills shortages**, particularly for technical skills with many employers reluctant to invest as successful trainees are likely to leave and many positions need experienced personnel
- **Careers of choice** for young people, where poor information, advice and guidance (iag) leads to poor choices by the young person, reducing job opportunities, exacerbated by changes to the careers advisory system; youth unemployment also remains too high.

Rationale for EU Investment

In developing the Northamptonshire ESIF, partners have drawn on the policy framework at European, national and local level and the analysis of socio-economic conditions to identify the areas of focus (or drivers) which have shaped the development of this strategy.

The priorities for the Northamptonshire ESIF address the key challenges set out in the preceding strategic socio-economic analysis. The investment priorities have been influenced by the lessons learnt from programme approaches and project level interventions in the 2007-2013 programmes in the UK. The priorities and delivery approach have been developed to deliver high impact and to allow sufficient flexibility for the programme to respond to changes during its lifetime.

In order to ensure maximum engagement with the target groups and to provide value for money for EU interventions, business support activity funded through this programme will be required to demonstrate how it links and adds value to the activity of current funded business support programmes.

Priorities for Investment

The table below sets out how Northampton's ESIF has been structured, over four priorities.

Priority	Strategic Activities
Strengthening Innovation within the Northamptonshire Economy	Northamptonshire Innovation programme
Driving SME Competitiveness and Entrepreneurship	Growth Hub (including use of ICT for commercialisation in SMEs) Enterprise Hub Access to Finance Energy Efficiency for SMEs
Sustainable and Equitable Growth	Local Impact Fund CLLD Access to Employment
Responsive and Adaptable Workforce	Key Sector Skills Youth Support Programme Return to Work Programme

Priority 1: Innovation

This priority seeks to create a high value-added economy by supporting specific actions to increase innovation activity in Northamptonshire's key sectors and high growth businesses and supporting a programme of resource efficiency activities in support of Programme Priority 2. When combined with our successful package of initiatives to support SMEs (INVENT, LOCATE) and our 'Think Small First' SME focused approach we will continue to develop our competitive advantage and be the location of choice for ambitious and growing businesses and new start-ups. It will build on Northamptonshire's key strengths and exploit opportunities through:

- Supporting knowledge and technology transfer, innovation and R&D – enabling Small and Medium Sized Enterprises including social enterprises to bring new products to the market, especially those related to the county's priority sectors
- Innovation support for business – through encouraging a higher level of business investment in innovation via increased numbers of SMEs assisted
- Creating the environment for innovation - addressing infrastructure needs of companies seeking to innovate through grant assistance to provide incubation space for companies actively working with research institutions
- Resource efficiency – developing local knowledge transfer hubs across areas where there are barriers for start-ups

Priority 2: Driving SME Competitiveness and Entrepreneurship

Priority 2 will target resources at areas of need with low levels of economic and enterprise performance to help create the right conditions to generate new and sustainable forms of economic

activity which will lead to a more knowledge intensive economic base. There are three key objectives under this priority:

- To increase GVA and employment through the provision of tailored and highly targeted support to businesses and supply chains. This will involve supporting activity to increase their market share, extend their customer base beyond Northamptonshire (especially internationally) and strengthen their competitive position.
- To increase GVA and employment by developing new high value enterprises through the provision of a range of interventions for high value start-ups to establish and grow.
- Moving towards a Low Carbon Economy by improving the energy efficiency of our businesses.

Under Priority 2 the Northamptonshire ESIF will be focused on enterprise support for growth; Access to Finance and energy efficiency.

Priority 3: Sustainable and Equitable Growth

In growing Northamptonshire's economy, resources need to be invested in the social infrastructure to improve quality of life, tackle deprivation, value diversity and social inclusion and recognise the social implications of economic growth. The focus of this priority is therefore to address social and economic inclusion, through mechanisms such as Local Impact Fund and Community Led Local Development.

This is an innovative priority, reflecting local partners' commitment to develop new ways of working with disadvantaged communities and those needing greatest support to access employment opportunities.

Priority 4: Developing a Skilled and Responsive Workforce for the Future

Priority 4 aims to improve the skills of potential and current workers to improve individual progression and business competitiveness, and to help unemployed people to re-enter the labour market. This focus is reflected in two key priority areas:

- Developing a skilled and adaptable workforce
- Extending employment opportunities

The majority of activities funded under this priority area will help to develop a skilled and adaptable workforce in Northamptonshire especially amongst the target sectors: helping unemployed people re-enter the labour market and supporting individuals with low skills in employment.

ESF will also support young people aged 15-19 who are not in education, employment or training (NEET) and those at risk of becoming so. Many face multiple barriers to their participation and need a different type of offer or post-provision support to engage them in learning and keep them engaged.

Section 5: Crosscutting Themes

This section sets out the objectives and the approach for ensuring that the commitment to the two themes, Environmental Sustainability and Equality, is mainstreamed across all aspects of the programme.

Section 6: Financial Allocations and Summary of Outputs

This section sets out the rationale for allocating the resources and for setting different maximum intervention rates for the Priority Axes as contained in the summary table below.

Northamptonshire received a notional ERDF and ESF allocation of €55 million for investment under the 2014-2020 programme and received notification in December of €2.7 million EAFRD allocation. The Northamptonshire ESIF has been developed on the basis of 50% ERDF and 50% ESF split of resources.

In total over £96million will be invested in the programme with substantial contributions from both the public and the private sector. The private sector contribution will increase further as supports leads to company investment. The public sector contribution will include the use of a number of Opt-Ins including Skills Funding Agency, DWP, MAS and UKTI.

The ESIF expenditure by Fund, Priority and Strategic Intervention is set out in the table below.

Northamptonshire ESIF Programme (£ms)				
	ERDF/ESF/EAFRD	Public	Private	Total
Innovation				
Innovation Programme	ERDF £4.0	£2.0	£2.0	£8.0
Driving SME Competitiveness				
Growth Programme Hub	ERDF/ESF/EAFRD £7.26	£4.7	£2.5	£14.46
Targeted: Entrepreneurship Programme	ERDF £2.0	£2.0	£0	£4.0
Finance for Business Programme	ERDF £4.0	£4.0	£0	£8.0
Energy Efficiency for SMEs	ERDF £4.62	£3.0	£1.62	£9.24
Sustainable and Equitable Growth				
Local Impact Fund	ERDF/ESF £4.0	£3.0	£1.0	£8.0
Community Led Local Development	ERDF /ESF £1.0	£0.5	£0.5	£2.0
Access to Employment Programme	ESF/EAFRD £4.026	£2.8	£1.22	£8.046
Responsive and Adaptable Workforce				
Key Sector Skills Programme	ESF£8.9	£8.9	£	£17.8
Youth Support Programme	ERDF/ESF£3.22	£3.2	£	£6.42
Northamptonshire Return to Work	ESF£5.4	£5.4	£	£10.8
Total				
ERDF	£23.1	£	£	£
ESF	£23.1	£	£	£
EAFRD	£2.226	£	£2.226	£4.452
Total	£48.426	£39.500	£8.84	£96.766

Outputs

The ESIF's implementation is forecast to generate significant direct benefits through supported activities. The table below shows the initial programme forecasts which are underpinned by experience of delivery under the 2007-2013 programme period.

Headline ERDF outputs	No.
No of enterprises supported	1,224
No. of new enterprises supported	640
No. of jobs created (FTE)	1,394
No. of enterprises co-operating with research institutions	220
No. of enterprises supported to introduce new to the market products	40
No. of enterprises supported to introduce new to the firm products	255
No. of additional enterprises accessing ICT products and services including broadband	350
No of enterprises resource efficiency	154
Site development (ha)	2

Headline ESF outputs	No.
No. of participants	16,289
No. of unemployed (including long-term unemployed) participants	5,112
No. of inactive participants	5,785
No. of employed (including self-employed) participants	4,742
No. of participants aged 15 – 24	1,428
<hr/>	
Headline EAFRD outputs	No.
Jobs Created	100

Section 7: Co-ordination

This section explains how the Northamptonshire ESIF will complement the activities supported under the EAFRD element of Cohesion Fund as well as links to other funding programmes e.g. Horizon 2020 and Interreg and local initiatives.

Section 8: Implementing Provisions

This section sets out the overarching principles for the strategic delivery of the programme including details on NEP's governance arrangements and proposals for managing the overlapping geography with SEMLEP.

Section 1: Introduction and Context

The Northamptonshire EU Investment Plan (hereafter known as Northamptonshire ESIF) sets out the Northamptonshire framework for delivering European and Structural investment (ESIF) for the period 2014 to 2020.

The value of the indicative allocation to the Northamptonshire (NEP) area is €57 million which will be matched equally with national public and private match funds to provide a total programme value of €114 million. The allocation is comprised of

£ 23.1million European Regional Development Fund (ERDF)

£ 23.1 million European Social Fund (ESF)

£ 2.2 million European Agricultural Fund for Rural Development (EAFRD)

NEP covers the whole of the county of Northamptonshire in the East Midlands region of England. It is made up of seven non-metropolitan districts: Corby, Daventry, East Northamptonshire, Kettering, Northampton, South Northamptonshire and Wellingborough.

The Northamptonshire ESIF has been developed to support Northamptonshire's agreed vision as set out in the Strategic Economic Plan (SEP) for economic development and growth. It is based on an analysis of the area's main challenges, needs, strengths and opportunities as set out in the socio-economic and SWOT analyses and the policy frameworks set down by the European commission and national policy frameworks such as the UK reform plan and the Government's Industrial Strategy.

The county recognises and advocates the importance of developing local strategies and approaches which respond to well-evidenced local needs and stakeholder views. This approach ensures that the local strategic context is coherent, streamlined, free from overlap, linked to the national and European strategic policy frameworks and represents local issues and challenges.

Northamptonshire has an affinity with business and a clear and cohesive local economy. It has an established profile and its geography as a shire county is well known and understood; it has long been recognised as an economic sub-region.

Our Prosperity Agenda is aligned with the Government's priorities for private sector led jobs growth and shows that we have the partnerships, resources and expertise to deliver it. Northamptonshire is already seeing results and could be seen as an exemplar to ministers as to what can be achieved.

The Place for Growth

Northamptonshire has serious ambition and appetite for growth, alongside a track record in delivering this, both economically and population-wise. In the last decade an additional 40,000 jobs have been created, the population has increased by 6,000 year on year, and the prosperity of every person has grown by £500 per annum. Northampton has had the strongest recovery from the recession of any town in the country.³

The area is therefore well placed to play an important role in economic recovery, growing its current £15bn economy to £20bn by 2021. Northamptonshire already supports 365,000 jobs having grown in number by some 13% in the last decade.

The population is forecast to further grow from 710,407 in 2013 and to 774,832 by 2021 with the population expected to hit 834,647 by 2030⁴. The area has one of the fastest growing populations, outstripping national population growth by 11% over the past two decades.

This growth potential is underpinned by Northamptonshire's:

Premier Location - literally at the heart of England and the national road and rail network. The area enjoys strong international connections including the A14 Trans European route (with the Port of

³ This view is supported by a recent report by the Centre for Cities think-tank which has shown that Northampton has made the biggest recovery from the recession in the country. Reflecting this Northampton moved from a 61/63 rank to a 7/63 in four years.

⁴ Cambridge Centre for housing and population Research – 2013.

Liverpool and the Haven Ports within 3 hours drive), five international airports within 1.5 hours drive, and mainland Europe accessible in 2 hours by train via St Pancras. Sitting within easy reach of three major air freight hubs, including East Midlands Airport, the UK's largest dedicated pure freight terminal. Northamptonshire is host to two dedicated rail freight terminals – the Daventry International Rail Freight Terminal (DIRFT) and the Eurohub at Corby Northamptonshire offering businesses UK leading market access with 75% of the population within 2 hours drive. The county is at the forefront of the national logistics and distribution industry. What the nation buys Northamptonshire delivers.



Figure 1.1 Northamptonshire's Centrality

Polycentric Pro-Growth Economy - whilst Northamptonshire has a significant rural based economy, with around 20% of jobs located in rural areas, the key economic focus for business and employment is the vibrant urban spine of growth towns, running from Daventry in the south west through Northampton⁵ and on to Wellingborough, Kettering and Corby in the north east. Northamptonshire has two travel to work areas where more than 75% of residents live and work within the same area. Importantly, there is a strong commitment to delivering significant numbers of new houses across the area.

Entrepreneurial Spirit - Northamptonshire has been voted by Government as the most enterprising location in the UK, with SMEs making up 99.6% of the business base. Over 75% are micro-businesses (0-4 employees). This provides both resilience and diversity as the area is not reliant on a small number of internationally mobile businesses. The area has an above average self-employment, business start-up and early years survival rate which is vital for a high growth economy.

High Performance Technologies – at the heart of British motorsport, with 3 major racing venues and the location for the British Formula 1 Grand Prix and MotoGP at Silverstone. It is home to more than 200 motorsport companies employing over 6,000 people with an annual turnover of £600m. In 2010, and with the support of local investment, Silverstone Circuits secured a long-term contract to host the British Grand Prix. This asset has

⁵ The county town of Northampton was recently recognised as one of the top locations in the UK for business by Santander Corporate and Commercial Banking's UK Town and City Index, citing it's 'diverse local business base and low business costs' as a key factor. Their ranking placed it above Birmingham, Leeds and Manchester.

leveraged the High Performance Technology sector which generates £2 billion of GVA per year⁶ in the county from 1,000 companies employing over 20,000 people.

World Class Brands - Northamptonshire is the home for a number of major businesses including Barclaycard, Carlsberg UK, Cosworth, Mercedes Benz, Tata Steel, Tesco distribution, Churches Shoes, Yusen Logistics, Wacoal Eveden, Cummins Engines, Silverstone Circuits and Weetabix. Recent and forthcoming major investments by these organisations have signalled their commitment to the area.

Vibrant Visitor Economy - Northamptonshire welcomes over 20 million visitors each year who come in search of the county's incredibly diverse tourism offer; world-class motorsport heritage and home of the F1 Grand Prix at Silverstone, an expanse of outstanding wildlife and stunning landscapes in the Nene Valley, unparalleled built heritage countywide, fantastic sporting heritage, theatre to rival the West End and one of the most accessible creative and cultural scenes in the country.

Social Enterprise - Northamptonshire has a number of key competitive advantages in the area of social enterprise. The University of Northampton is acknowledged as the UK's leading university for social enterprise and is one of only 25 universities in the world designated as a 'Changemaker Campus' by the Ashoka U organisation. The county has a well-established social enterprise sector. Local authorities are developing and testing options for radical service transformation.

Capable Leadership - the capacity of public and private sector partners to work collaboratively in the interests of the local economy has been demonstrated⁷ and provides the necessary leadership to achieve the economic vision. This approach is being accelerated by public/private partnerships. These include a strategic alliance with British Gas to develop the concept of a 'Low Carbon Northamptonshire'; the University of Northampton's successful Business School including business facing ICT has contributed to the university being recognised as England's top university for Employability in 2012.

Delivery Capability – across Northamptonshire we have partners with strong and innovative delivery capability. The NEP team has a strong track record of delivering economic programmes and projects. Since 2010 the team, which is the 5th largest of any LEP, has successfully created over 1,650 jobs, 100 new business starts, attracted 25 new companies to the area and generated over £8m of private leverage.

Joint Working - the existence of two joint planning functions (North Northamptonshire and West Northamptonshire) provides centres of expertise, capacity and increased surety over the planning system, a central feature when looking to deliver significant economic and housing development. This is consistent with the Government's planning agenda and drive for joint working identified in the Heseltine Report *No Stone Unturned in Pursuit of Growth*. Furthermore, the joint working arrangements have established excellent links with statutory agencies and key infrastructure providers which have been instrumental in securing infrastructure investment to unlock growth to date, and provides a great platform to secure the delivery of our future plans for growth outlined within this plan.

⁶ Northamptonshire won the accolade of 'Most Enterprising Place in Britain' for its pioneering work with Silverstone Circuit which helped to secure the future of the British Grand Prix and safeguard jobs in the wider High Performance Technologies network. It also won the top award for encouraging export.

⁷ Northamptonshire's 10 Point Plan: To Kickstart and Unleash Local Dynamism and Economic Potential: Our Growth Offer and Ask of Government, Northamptonshire Enterprise Partnership and Northamptonshire County Council, March 2013.

Section 2: Economic Analysis

An extensive analysis of the socio-economic conditions and trends in the county has been carried out in developing the Northamptonshire ESIF. The analysis presented here performs two key roles. The first is to provide the overall context for growth within the county by examining the key issues affecting economic growth including population growth and the second is an analysis of the key priorities for investment within the ESIF guidance. These are as follows:

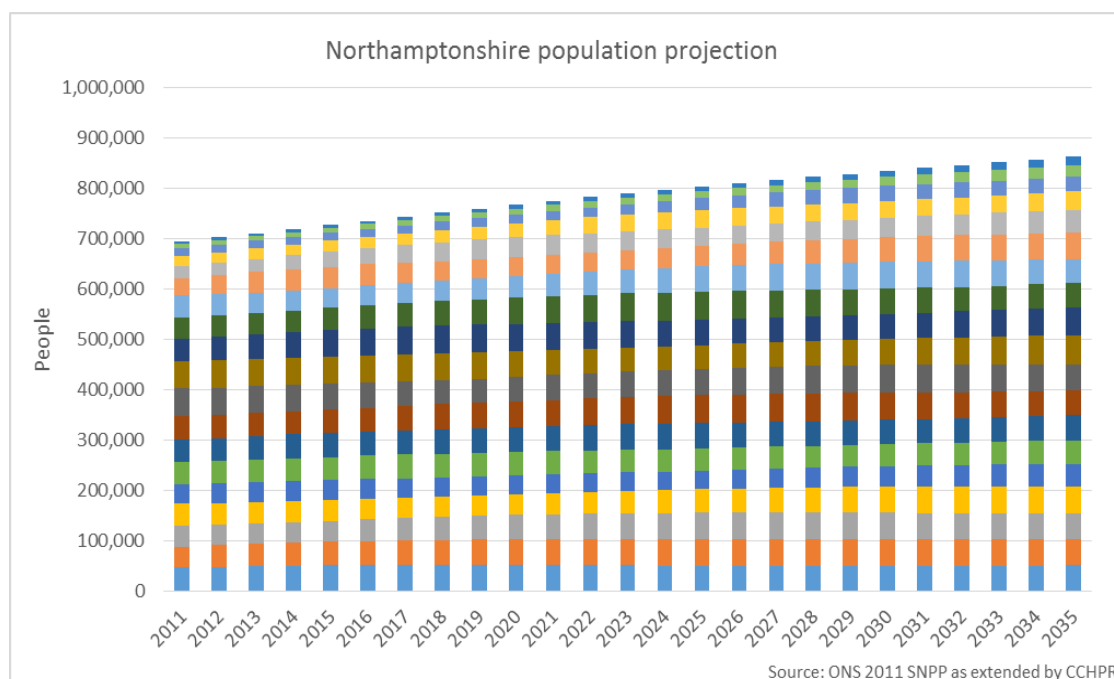
- Innovation, research and technological development
- Support for small businesses and SME competitiveness
- The low carbon economy
- ICT and digital
- Skills and employment
- Social inclusion

The following analysis 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 Northamptonshire ESIF has been designed to address these.

Overview and context for intervention

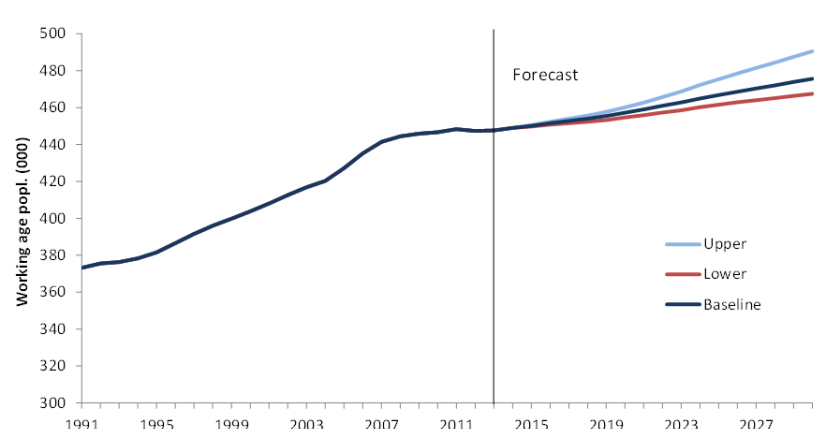
NEP has recently undertaken an economic assessment in order to better understand the economic conditions and potential for growth within the economy, which included population forecasts. This has been supplemented by the Joint Planning Units who have recently commissioned demographic forecasts to underpin the core strategy development. Both studies identify significant growth in population across Northamptonshire. The forecasts show that the population of Northamptonshire is set to increase between 2013 and 2021 by 9% from 710,407 to 774,832.

By 2031 this is forecast to increase again to 840,417, representing an increase by 18% from 2013.



Source: Cambridge Centre for Housing and Planning Research
Figure 2.0 Northamptonshire population forecasts 2011-2035

Growth in working age population would be strongly linked with employment and resultant migration changes – as it will be predominantly those of working age who will migrate into the county to take new jobs. Between 2013 and 2021, the working age population will increase from 448,000 to between 459,000 (2% increase) to 463,000 (3% increase).



Source: Oxford Economics

Figure 2.1 Working age population forecast (000s), Northamptonshire, 2013-2030

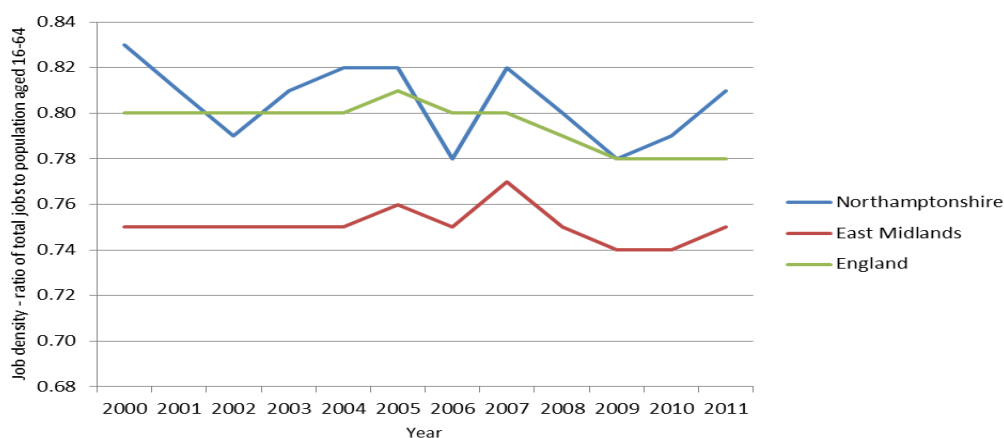
	2013	2015	2017	2019	2021	2023	2025	2027	2029	2030
Upper	447.7	450.5	453.9	457.6	462.7	468.7	475.3	481.4	487.5	490.4
Lower	447.7	449.7	451.5	453.2	455.9	458.6	461.6	464.0	466.3	467.4
Baseline	447.7	450.1	452.7	455.4	459.0	462.7	466.8	470.3	473.8	475.5

Source: Oxford Economics

Table 2.0 Working age population forecast (000s), Northamptonshire, 2013-2030

The working age population has not grown in line with overall population growth because of ageing. A higher dependency ratio of working population to total population is a feature of all western European countries, meaning that growing economies need larger populations than previously.

The job density in Northamptonshire of 0.81 is considerably higher than the average for the region of 0.75 and the national average of 0.78. Furthermore, this figure has been rising since 2009, while the national average has remained stagnant.



Source: ONS jobs density, 2000-2011

Figure 2.2 Ratio of total jobs to working age population, 2000-2011

These jobs are not distributed evenly across Northamptonshire – Northampton has 141,000 jobs for a working age population of 140,851 (a job density of 1), while East Northamptonshire has 32,000 for a working age population of 54,971 (a job density of 0.58). This situation has changed dramatically in some areas in recent years; in 2007, Corby had a job density of 0.96, compared with 0.75 in 2011, while the job density in Daventry has increased from 0.7 in 2001 to 0.82 in 2011. As a consequence of previous and expected growth, there is an urgent need to create sustainable communities that can provide the future workforce.

Strong performing economy

A number of economic indicators show that Northamptonshire compares well with the East Midlands and England and against other areas within the country. In terms of labour market participation, Northamptonshire outperforms the East Midlands and England as a whole with high economic activity (80.3%) and employment (75.7%) rates.

The local economy is also much less reliant on the public sector for jobs with the sector making up just 15.7% of total employment. The county therefore has made a concerted effort to adapt the labour market to support its key growth sectors in the challenging economic climate.

Northamptonshire's economic performance remains dependent on the performance of regional, national and international economies. As such, there is a limit to the effectiveness of local policy 'levers'. This is particularly pertinent at a time when the world economy is emerging from a period of uncertainty and as such, Northamptonshire, as with all local economies, is increasingly affected by external events outside of NEP's control. Indeed, it would appear that the risks – both upside and downside – to Northamptonshire in the short and medium term are determined by macro-economic trends at least as much as local initiatives.

Addressing the Productivity gap

Northamptonshire is at the centre of the UK's unique High Performance Technologies cluster. Recognised as having global importance, HPT in the county comprises around 1,500 companies (85% SME), employing 21,000 people and generating over £2bn in turnover. The cluster is sometimes described as Motorsport Valley based on the unique concentration of performance motorsport manufacturers in the NEP and neighbouring areas of SEMLEP, Coventry and Warwickshire.

The cluster however, is much larger than motorsport and has significant potential to support the growth of many other sectors. For example, the development and application of light-weight materials and composites and hybrid power systems pioneered in motorsport are beginning to develop positive links with the marine, aerospace, construction, defence and energy industries. In spite of its success, the HPT cluster in and around the NEP area is not fulfilling its potential. Innovation and growth is constrained by limited access to funding for research and development projects and the full exploitation of synergies with other sectors is still restrained. The Regional Growth Fund 3 and 4 programmes have provided a sound foundation for the on-going delivery of innovation within the supply chain and the creation of new jobs within the vital sector.

The county is home to a number of innovation assets such as the iCon centre at Daventry, The University of Northampton, the Silverstone Innovation centre and the high value cluster around High Performance Technologies sector.

This is complemented by professional development and training infrastructure across Northamptonshire including the Chartered Institute of Logistics and Transport at Corby, also linking to specific courses offered by two University Technology Colleges (UTCs), Daventry UTC (Specialism: Sustainable and Related New Technologies), and Silverstone UTC (Specialism: High Performance Engineering). The University of Northampton has recently become an Ashoka Changemaker Campus (the first in the UK), confirming its position as the number one university for social enterprise in the UK.

The county needs to exploit this opportunity to grow the spin-out sector. Direct trade with consumers and repayable investment are important factors in the success of some spin-outs.

The Innovation Challenge

In the long-term, Northamptonshire's economic growth will be based on the strength of its business community, which, is one of the county's main strengths. An active business sector where new firms continuously enter the market, grow and displace uncompetitive firms, will be essential to the county's economic success.

Innovative firms like those concentrated in the HPT sector will have a direct impact on economic performance through their own employment, innovation and productivity growth. Indeed, research carried out by NESTA⁸ has shown that 'innovative' firms grow faster than others.

The NEP area performs poorly against other areas in terms of innovation measures. The percentage share of employment within the knowledge economy and high and medium tech manufacturing is below the national average of 22.5% at 17.7% in Northamptonshire.

Between 2005 and 2010, the number of patent applications per million people in Northamptonshire was the lowest in the UK. However there are some signs that this is changing and whilst applications in each region have fallen every year during this period, they improved in Northamptonshire in 2010. The number of awards from the Technology Strategy Board represent 0.4% and there are significant gaps in the types of projects being supported. In order to drive innovation in growth sectors the skills gap must be addressed.

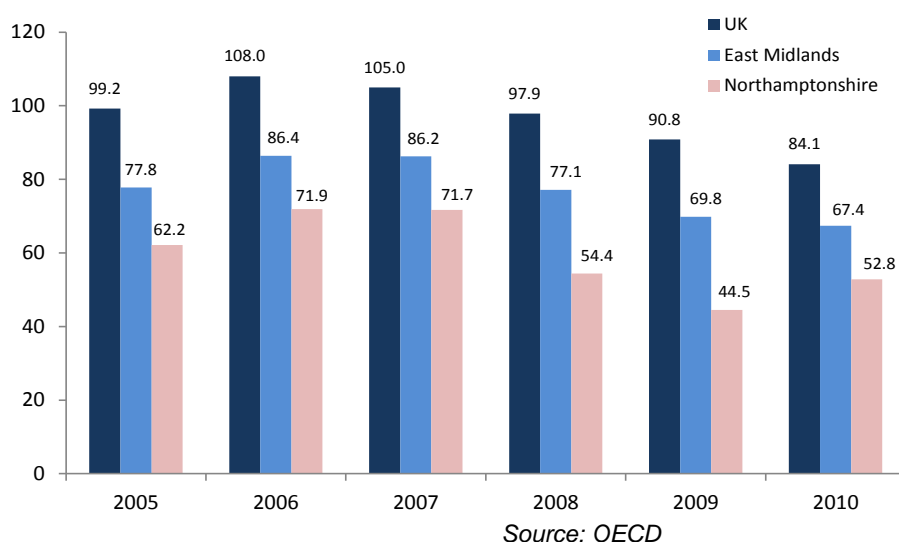


Figure 2.3 Patent applications per million people, Northamptonshire, East Midlands & UK, 2005-2010

Further evidence is provided by the datasets released to LEPs from the Technology Strategy Board. The TSB has published for the first time an analysis at a LEP area geographical level. It includes all grants awarded since 1st April 2010 as well as some active programmes that have become the responsibility of the TSB since that time.

The data indicates that the Northamptonshire LEP area has received a total of £4,678,985 of investment over 41 different projects. In total across the UK, TSB has supported 6,516 projects totalling £1,059,088,741 investment. Northamptonshire's programme therefore comprises 0.6% of projects and 0.4% total investment level.

Feasibility studies and collaborative research and development projects form the majority of the projects for the Northamptonshire area. However, investment levels are well distributed across European programmes and SMART projects. In particular, projects demonstrate a high level of activity across certain key sectors including technology, transport, and sustainability which together comprise 16 different schemes (39% of projects in the county) with a value of £2,251,228 (48% total investment). This compares well with the UK split between these sectors where 2,199 projects have been supported (33%) with £290,739,839 (27%) of investment.

⁸ NESTA, 2009. *Business Growth and Innovation: The wider impact of rapidly-growing firms in UK city-regions*

There are however, significant gaps in the types of projects being supported by TSB funding. For example, there are no projects supported under the 'Centres' strand which includes Catapults, Innovation and Knowledge Centres and can be used to support projects across Energy, Manufacturing, and Transport schemes. Of particular concern is the limited number of schemes in Northamptonshire across manufacturing and digital (only one manufacturing project has been supported in Northamptonshire as part of the feasibility studies strand and two digital projects under CRD). Between them, these two strands comprise 932 (14%) of the UK programme, with investment in those areas totalling £259,919,701 (24%).

Energy also appears to be an area that is significantly under-represented in Northamptonshire submissions. Comprising 523 projects across the UK and £114,199,203 (10%), this compares less favourably with Northamptonshire with only three energy projects supported under the Feasibility Studies strand with total investment at £116,427 (2% of total Northamptonshire grant).

Skills are also a key consideration in terms of addressing the county's ability to capitalise on the opportunities presented through innovation and growth within key sectors. Research commissioned for NEP (2011) found that skills are a particular concern for high performing engineering businesses in Northamptonshire as they operate at a national level. The sector is however, facing a number of skills and recruitment challenges that are a significant threat to the sector's future competitiveness and growth prospects including the loss of skilled engineers during the recession, an ageing UK workforce, the lack of appropriate skills and the undersupply of an adequately qualified workforce with low mobility.

The report also highlights that the 'low carbon agenda' is posing particular challenges in relation to skills. New and higher skills are required across the board to adapt business processes to comply with low carbon regulations etc. where in some places acute skills shortages already exist.

Implications for the Northamptonshire ESIF

As part of furthering the county's ambition to deliver SMART growth, the objective of any support through the Northamptonshire ESIF should be to identify the technologies and processes driving the area's businesses within the key growth sectors and wider economic development context and assess their future growth prospects to better understand the existing and potential future drivers of the NEP economy and support those sectors which are likely to provide the greatest opportunity to drive a step change in the overall level of value added achievable by intervention. Activity will also be aligned to sectoral Programmes such as Horizon 2020 which could provide access to SMEs to fund technological research and introduce incentives to commercialise new technology applications.

Improving innovation in Northamptonshire is important in driving forward higher value added jobs and creating greater economic resilient to withstand global competition. It will also be important in restoring the exporting and productivity premium.

Driving SME Competitiveness

The Northamptonshire economy has returned to growth more quickly than the national economy. This reflects in part of the dynamism of the local economy based on SMEs and higher rates of start-ups and self-employment.

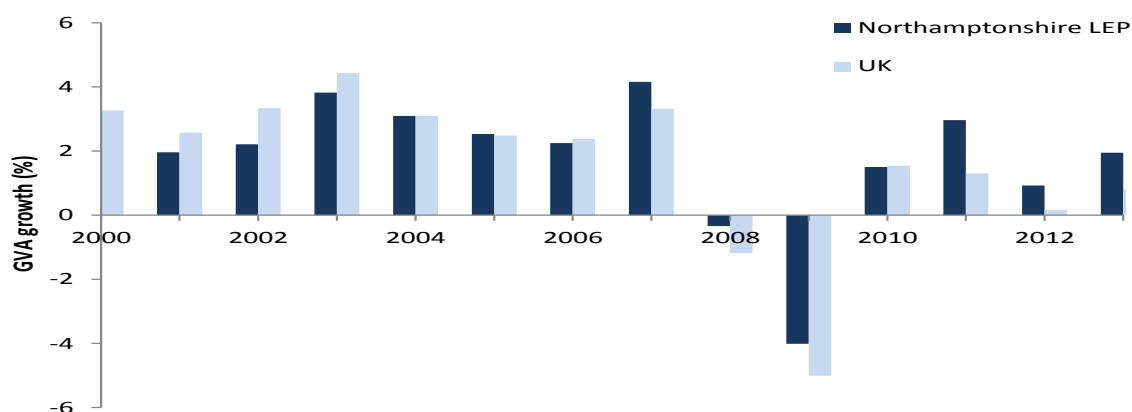


Figure 2.4 GVA Growth: Comparison of Northamptonshire and UK

Business Demography

The vast majority of companies in Northamptonshire are small SMEs, with more than three quarters of the enterprises in the area employing fewer than five people. Indeed, there are only 95 employers in the county with more than 250 employees, just 0.4% of Northamptonshire's 25,300 enterprises. Nationally SMEs account for 59.3% of employment, which locally would translate to 216,445 of total jobs.

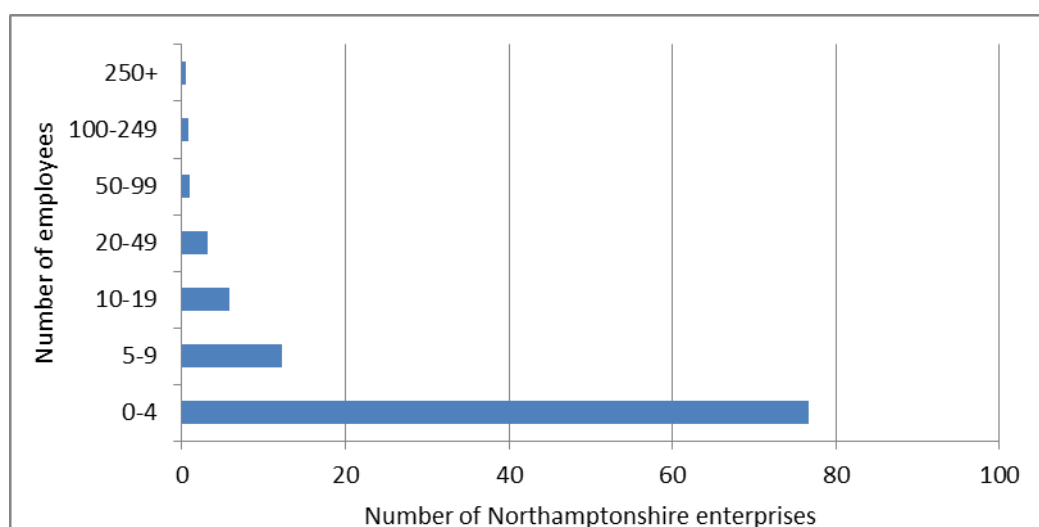


Figure 2.5 Share of Northamptonshire companies by size band 2012

An advantage of this structure is that because employment is distributed among a large number companies rather than being concentrated in a small number of large corporations, the economy is less at risk of economic shocks more likely to be experienced by having a high concentration of large internationally mobile companies. This means that SMEs are well placed to support job creation – as the impact of each SME recruiting just one extra employee would be an additional 25,000 jobs.

Start-up rates and self-employment

In 2011, 2,900 new companies were created in Northamptonshire. This equated to 6.5 business 'births' per 1,000 of the resident population – a higher rate than the East Midlands or England at 3.5 and 4.4 business births per 1,000 population respectively. This level of start-ups ranks Northamptonshire 21st among LEPs.

The self-employment rate of 11% is above the regional and national rates; with the LEP ranked 12th highest on this indicator. In terms of business activity, self-employment alone is not a definitive indicator. However, given the high rates of business births and deaths, strong survival rates of start-

ups, large SME base and a concentration of HPT businesses in the county; this demonstrates an entrepreneurial spirit across Northamptonshire.

Early / medium-term survival rates

There were significantly more business deaths (companies closing) per 1,000 population in 2011 than there were in the East Midlands or England. This should not necessarily be viewed as a significant issue for the Northamptonshire economy. An economy with an entrepreneurial culture, in which new companies with good ideas are able to raise money and start trading, is also likely to be an economy in which inefficient incumbents get 'outcompeted' and go out of business. However, when closures are due to relocations because of factors that can be addressed, then enabling out-movers to stay would add to the business base, and because of increased size of these businesses revise the average size of businesses in Northamptonshire.

Businesses started in 2006⁹, show that survival rates fall over time with a particular decline between, three (69% survive) and four years (55% survive). This is considered to be due in part to firms relocating because of the lack of appropriate grow-on floorspace.

Driving productivity in SMEs

Compared to England, the Northamptonshire economy has a lower level of productivity, of 8%. The worst performing sector locally, by comparison to England, is financial services, where productivity is 19% lower. However, this probably reflects the "London factor". A similar argument may explain the lower levels in ICT. Manufacturing productivity is only 4% lower locally, than nationally.

Some small sectors have substantially higher levels of productivity, including utilities, quarrying, and real estate activities.

In terms of improving productivity this needs to be achieved by targeting particular sectors below, to ensure maximum return on investment.

Sector	Northamptonshire GVA per head 2013 (£000)	England GVA per head 2013 (£000)	Difference 2013 (£000)	% Difference
Agriculture, forestry and fishing	33	29	4	14%
Mining and quarrying	0	56	56	-100%
Manufacturing	50	52	-2	-4%
Electricity, gas & steam	222	162	60	37%
Water supply & waste management	94	82	12	15%
Construction	42	42	0	0%
Wholesale and retail	32	31	1	3%
Transportation and storage	36	38	-2	-5%
Accommodation and food	18	19	-1	-5%
Information and communication	55	65	-10	-15%
Financial and insurance activities	88	108	-20	-19%
Real estate activities	226	203	23	11%
Professional, scientific and technical	40	40	0	0%
Administrative and support	26	28	-2	-7%
Public administration and defence	39	42	-3	-7%
Education	29	31	-2	-6%
Human health and social work	27	27	0	0%

⁹ Based on ONS business demography data for companies started in 2006

Sector	Northamptonshire GVA per head 2013 (£000)	England GVA per head 2013 (£000)	Difference 2013 (£000)	% Difference
Arts, entertainment and recreation	23	24	-1	-4%
Other service activities	25	27	-2	-7%
All sectors	38	41	-3	-7%

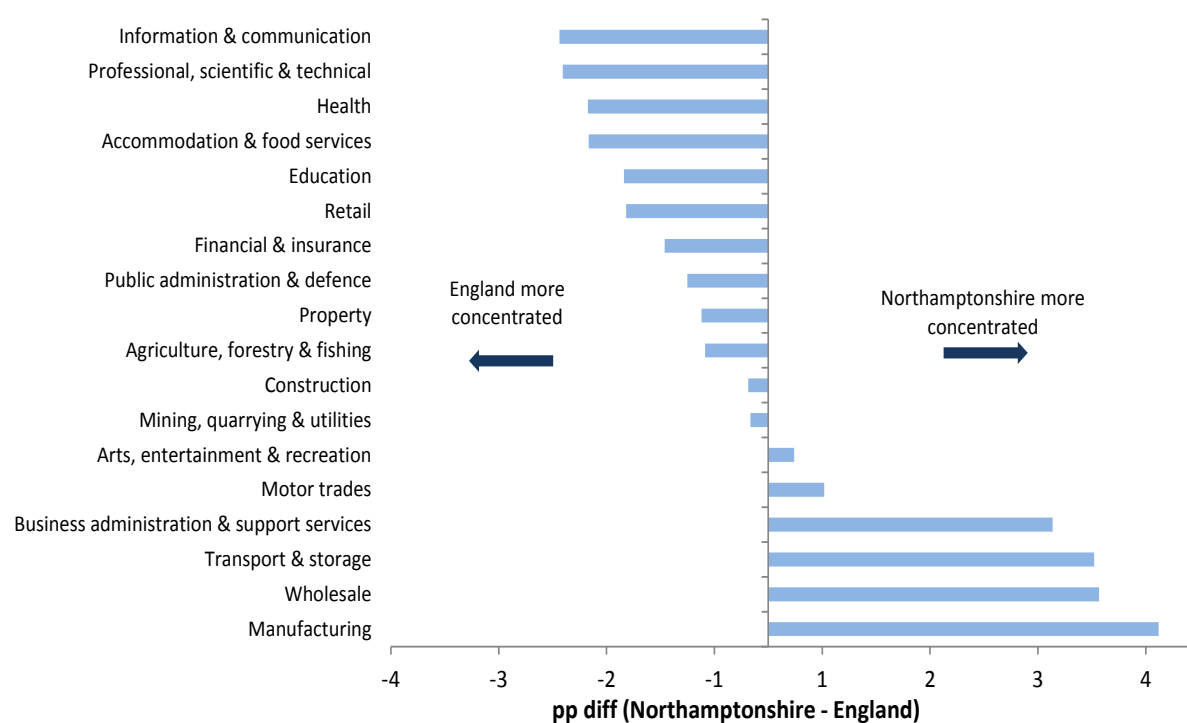
Source: Oxford Economics

Table 2.1 Comparison of Northamptonshire and UK productivity by sector (2013)

Rebalancing the economy – improving productivity through sector programmes

In order to improve productivity, some rebalancing of the local economy towards higher productivity sectors, is required.

The sectoral composition of Northamptonshire relative to England is indicated below. This emphasises the importance of manufacturing, wholesale, transport & storage and business administration as distinguishing characteristics of the local economy. These four sectors currently account for 38% of employment.



Source: Oxford Economics

Figure 2.6 Relative concentration of employment by industry, Northamptonshire compared to England 2012

However, as indicated below, over the last decade most sectors, despite the recession have grown in GVA terms and improved their productivity.

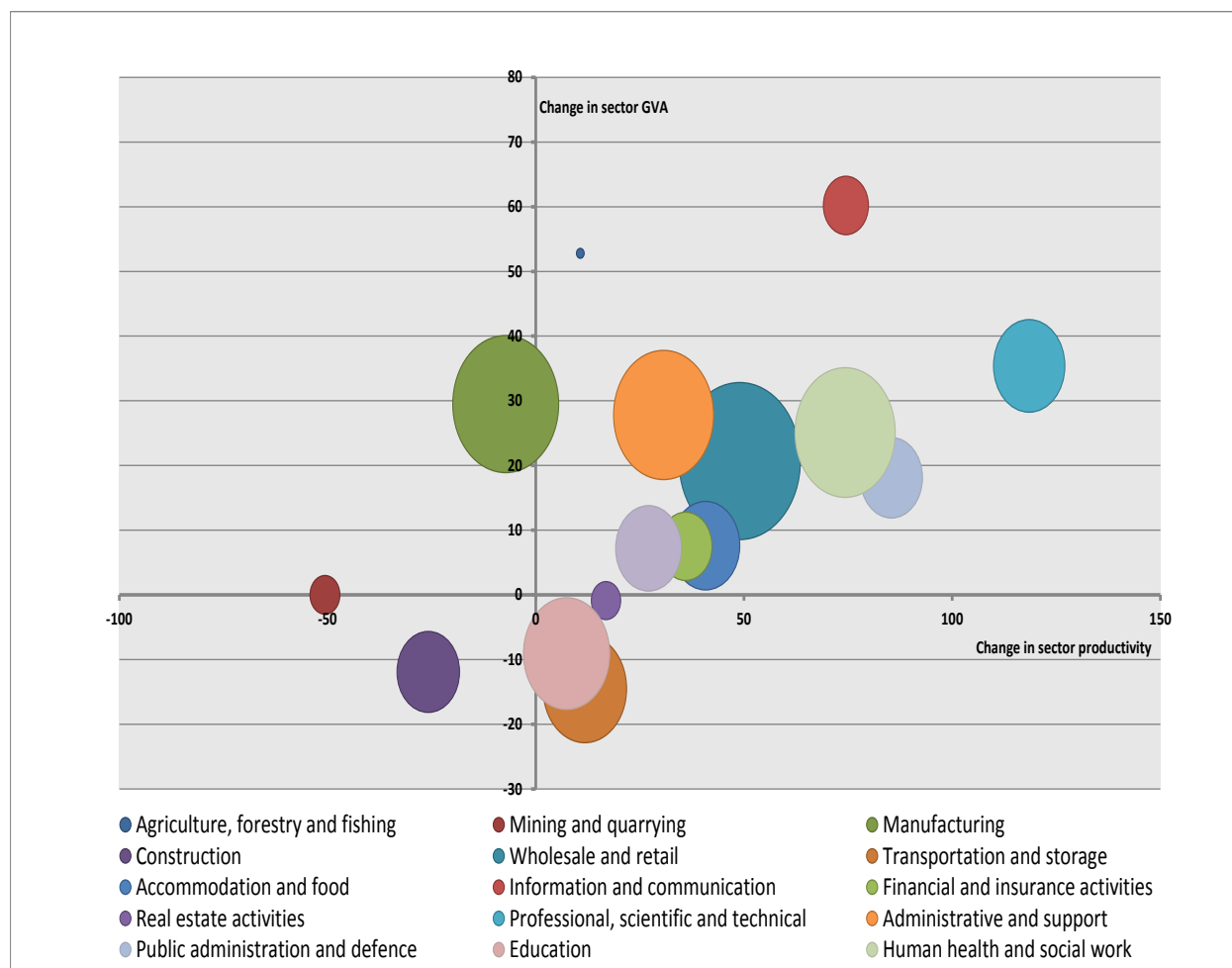
The chart compares total sector GVA growth (y axis) with change in sector productivity (x axis) for sectors of the Northamptonshire economy. The size of the bubbles used for each sector indicates the number of employees in the sector in 2011. This analysis highlights the large number of growing sectors within the Northamptonshire LEP economy, and the general improvement in productivity.

However, compared to the economy nationally, levels of productivity have tended to decline over time. In the table the local productivity has been expressed as percentage of the national. A figure over 100% indicates that productivity in the sector is greater locally than nationally; a figure below

100% indicates the opposite. Overall the local level of productivity has marginally declined over the decade from 95% to 93%. This is probably more a reflection of the relative growth of the South East than any obvious deterioration locally. Approximately 8 sectors outperform English averages.

The final two columns indicate the change in the % level, in the last ten and last five years, to provide a measure of the relative performance of each sector over time. It indicates for example that manufacturing productivity has declined gradually over the period. In contrast productivity of professional and scientific activities has improved locally over the last 5 years and has reached the level nationally.

This indicates that whilst productivity at the level of the economy does not change dramatically over time, the relative performance at sector level can change significantly.



Source: Analysis of Oxford Economics / ONS data
Figure 2.7 Change in GVA by sector and productivity per head 2000-2013

Northamptonshire Sector	GVA/ head as % of England			Relative performance	
	2003	2008	2013	2003-2013	2008-2013
Agric., forestry and fishing	131%	116%	114%	-16%	-1%
Mining and quarrying	73%	52%	158%	85%	107%
Manufacturing	108%	103%	96%	-11%	-6%
Electricity, gas & steam	69%	131%	137%	68%	6%
Water supply & waste man.	95%	106%	114%	19%	8%

Northamptonshire Sector	GVA/ head as % of England			Relative performance	
	2003	2008	2013	2003-2013	2008-2013
Construction	109%	108%	101%	-8%	-6%
Wholesale and retail	101%	104%	102%	1%	-1%
Transportation and storage	97%	101%	96%	-1%	-5%
Accommodation and food	101%	94%	92%	-9%	-2%
Information and comm.	73%	79%	85%	13%	7%
Financial and insurance	82%	73%	81%	-1%	8%
Real estate activities	101%	112%	111%	10%	-1%
Prof. scientific and tech.	83%	81%	101%	18%	19%
Administrative and support	98%	97%	92%	-6%	-5%
Public admin. and defence	92%	90%	93%	0%	3%
Education	99%	95%	93%	-6%	-2%
Human health and social work	98%	95%	99%	1%	4%
Arts, ents. and recreation	86%	95%	93%	7%	-2%
All sectors	95%	94%	93%	-2%	0%

A final analysis has examined what would happen to GVA in Northamptonshire if, given the local economic structure (measured in employment), each sector achieved the productivity levels reached nationally. It considers which sectors would have the greatest impact on growth by improving their performance.

Sector	Change in GVA (£m) in Northamptonshire if productivity reached levels in England			Sectors to improve	Sectors to protect
	2003	2008	2013	2013	2013
Agric., forestry and fishing	-16	-15	-15	-	15
Mining and quarrying	4	6	-3	-	3
Manufacturing	-174	-60	83	83	
Electricity, gas & steam	24	-57	-96	-	96
Water supply & waste man.	9	-11	-20	-	20
Construction	-95	-68	-13	-	13
Wholesale and retail	-15	-74	-47	-	47
Transportation and storage	31	-7	47	47	
Accommodation and food	-2	21	29	29	
Information and comm.	170	131	85	85	
Financial and insurance	161	368	227	227	
Real estate activities	-12	-86	-90	-	90
Prof. scientific and tech.	108	156	-7	-	7
Administrative and support	12	28	89	89	
Public admin. and defence	29	56	40	40	
Education	8	40	59	59	

Sector	Change in GVA (£m) in Northamptonshire if productivity reached levels in England			Sectors to improve	Sectors to protect
	2003	2008	2013	2013	2013
Human health and social work	14	47	16	16	
Arts, ents. and recreation	30	12	19	19	
Other service activities	-38	-18	26	26	
All sectors	247	470	430	720	290
Change as % of Actual GVA	2%	3%	3%	5%	2%

Source: Oxford Economics

Table 2.4 Northamptonshire productivity as a % of the England level, over time

The table above indicates that overall in 2013, the achievement of national sector productivity would only result in a marginal 3% increase in GVA. However, this is partly due to the above average performance of some sectors cancelling out under-performance.

The sector whose productivity would make the greatest difference to local GVA is financial and insurance activities that would add £227m of GVA if it achieved national levels. Information and communications and manufacturing would also provide significant benefits. These under-performing sectors could together add £720m of GVA.

There are also sectors that contribute high levels of GVA due to better than national productivity. These include utilities, real estate and the wholesale & retail sector. These sectors provide £290m of GVA locally due their higher levels of productivity.

A SMART Approach to Growth

Over the last few years, NEP has researched, developed and rolled out its sector support model. The focus of the sector model will be around supporting the development and growth of four sectors across the county: High Performance Technologies (including motorsport, automotive, aerospace, defence, oil and gas and environmental technologies including sustainable construction), Logistics, Food and Drink and Creative and Cultural Industries. NEP has selected these sectors because:

- They have a distinctive and specialised presence in the county
- Northamptonshire can offer these sectors a good business environment in which to grow and prosper
- They offer potential for future business and employment growth with linkages into the local supply chains and labour markets
- They have potential to expand their impact from a position of strength into other areas. Logistics ensures the operation of the sophisticated and time sensitive supply chains of the manufacturing and retail sectors. High Performance Technologies can be expanded into technology fundamentals such as composites and aerodynamics

Northamptonshire is already focussed on delivering growth in a SMART way. The approach of NEP is to ensure that all business support is driven by industry led groups which help design and inform the development of solutions to the barriers faced by the companies within these sectors, NEP recognises that businesses do not operate in isolation. Neither do sectors and clusters. Increasingly, businesses are inter-connected and need to collaborate with other firms and the public sector to operate efficiently and meet the needs of customers. As firms and sectors operate in this connected environment investment will seek to integrate its support activities and those of its partners to meet the needs of key sectors and clusters in Northamptonshire and provide a joined-up offer to companies.

Logistics is a major growth sector in the county, a long established logistics and transport hub. Ideally situated for logistics and supply chain operations and a competitive UK base for operations large and small, Northamptonshire is home to substantial UK facilities for Yusen Logistics, Norbert Dentressangle, Wincanton and also attracted investment from national retailers taking advantage of the county's enviable regional infrastructure and excellent intermodal road and rail capabilities. At the

heart of Europe's largest concentration of logistics and distributions operations is the 'Golden Triangle', with a significant concentration of skills and knowledge in the freight and logistics sectors existing in the area. The county is keen to develop this competitive advantage further and create an additional 5,000 logistics jobs locally by 2020 which will be supported by the priority areas for investment.

Northamptonshire County Council and the University of Northampton, has recognised a clear need for a new developmental and support vehicle for the Cultural and Creative industries. Building on the achievements of those in the sector, by offering not only leadership but also a strategic framework for development and working with established stakeholders, the partners are committed to making the best of Northamptonshire's creative opportunity. This includes the strengths of the region in music and the visual and performing arts, architecture and design - worth an estimated GVA of £97m in 2009. Northampton is transforming into a hub that provides a driver for major growth in this area.

Key areas for intervention under the Northamptonshire ESIF priorities would be around training, quality accreditation, marketing/promotional activities, with the aim of boosting productivity and efficiency to deliver more apprenticeships & graduate programmes. The arts and culture sector could play a significant role with other Voluntary Sector Organisations (VCS) in promoting social inclusion and offering opportunities for young people and disadvantaged groups. We would also seek to use ERDF to promote access to finance, grants to support business expansion and improvement, access to digital markets, research & development.

With a concentration of over 1,000 High Performance Technology (HPT) companies, Northamptonshire has developed a unique and comprehensive industry supply chain. This significantly contributes to the economic growth of the county, which is now at the centre of the UK's world-leading HPT cluster:

- World-leading design and manufacture of performance race cars and engines
- At the forefront of low carbon engineering in vehicles, renewable energy and sustainable construction
- Advanced development and application of lightweight materials and composites
- Supported by a range of industry-focused business and creative services

In March 2013, the Government awarded £1.2m of round 3 of the Regional Growth Fund (RGF) to NEP to run an RGF programme and £4.8 million of RGF 4 . The Northamptonshire High Performance Technologies Investment Programme has the backing of the local HPT industry and will help to unlock over £3 million of direct business investment and create over 300 sustainable, private sector jobs.

The Food and Drink sector in Northamptonshire is a significant employer with some 46,000 jobs supported by prospering businesses including Weetabix, Carlsberg UK, Whitworths, British Pepper and Spice and Alpro. The sector is worth £1.5billion to the Northamptonshire economy. The county is responsible for 10% of the UK's total wheat storage, milling and processing capacity. It is also home to more than twice the national average number of food and drink manufacturers many of which produce high end, award-winning, specialist products for international audiences.

Northamptonshire has a strong track record in relation to attracting inward investment enquiries and has made a firm commitment to attract more international investment and help businesses export. Building on its recent success in winning the Enterprising Britain Award for 'Encouraging Export', NEP works with local businesses to unlock overseas markets. Other activities to support export and inward investment include the county council's funding for a dedicated European Investment team based in Brussels and NEP appointing a network of agents to work closely with UKTI to source leads in North America, mainland Europe and India.

Supporting the significant SME base is a critical challenge and the resources available through the ESIF must ensure that resource and facilities including incubation centres are provided so that future competitiveness is not hampered. Funds could therefore potentially focus on more tailored packages which support companies to innovate, grow and take on additional employees whilst recognising that in rural areas business sustainability may be a relevant focus. Adding value could also be increased through geographical or sector targeting and through the provision of a coherent, easy to access,

package of business support measures focussed on stimulating and nurturing the growth of the prime high trajectory micro and small businesses.

Access to finance continues to be a major issue for many local SMEs and devising a model of sufficient scale and with the appropriate type of finance is critical. For example, the High Performance Technologies sector has the potential to further leverage the impacts from existing business support and partner activity by aligning activity. To compliment ESIF funding we would seek to promote the Programme for the Competitiveness of enterprises and SMEs (COSME) to support opportunities for small companies to internationalise as well as provide access to finance.

To develop a coherent business offer, NEP will align and co-ordinate ESIF investment and work with local partners to deploy resources in areas where they will have the most impact. For example, the High Performance Technologies sector has the potential to further leverage the impacts from existing business support and partner activity by aligning activity. This would involve the alignment of these activities:

- Using the University Technical Colleges (UTCs) to support the skill development needs of the High Performance Technologies sector from locations across the county
- Using the INV-ENT fund to increase innovative activity amongst High Performance Technologies companies
- Making infrastructure investments to improve access for the sector to key locations in the county
- Supporting the High Performance Technologies supply chain and improving access to finance for suppliers to maximise local impacts and build on the lessons of the Regional Growth Fund programmes
- Developing an apprenticeship programme so young people are able to secure high quality jobs in the High Performance Technology sector and its supply chain
- Supporting the development of cheaper and new low carbon energy supply options for firms which are high energy users in the High Performance Technology sector

Implications for the Northamptonshire ESIF

Improving productivity in Northamptonshire has two dimensions. The first is to seek to improve the overall performance of businesses, especially SMEs, by ensuring effective advice and support. The second is to encourage and invest in the rebalancing of the economy towards higher value markets and sectors. This approach needs investment in the development and delivery of the requisite support services, including support for innovation.

Infrastructure for Growth

Adequate supply of high-quality infrastructure and employment land is important if Northamptonshire is to be a competitive location for businesses to locate in. Northampton is the dominant commercial centre in Northamptonshire. The role of urban areas in Northamptonshire is focused primarily on local needs and services. Development in terms of office capacity should therefore focus on these types of occupants. Given that the vast majority of companies in Northamptonshire are SMEs, and that employment is forecast to continue growing, the aim should be to accommodate these occupiers, whilst considering the need for more managed workspace.

Preliminary findings from a land use assessment being carried out in conjunction with the LEA suggest that there is substantial excess office space in nearby Milton Keynes. As a result, there is a danger that economic activity will be attracted away from the county if office space in Northamptonshire itself is constrained.

The average house price in Northamptonshire is currently £182,180. Prices in the county are forecast to rise 85% to £337,070 by 2030. However if the capacity of the national economy in 2030 were to exceed baseline forecast, house prices could potentially rise by as much as 108%, to £380,780. As of the 2011 census, the majority (67.8%) of households in Northamptonshire were owner-occupied. A

further 30% were classed as either social or private rented. In England overall, the level of ownership was 63% in 2011, and the proportion of housing that was rented is slightly higher than in Northamptonshire, at 35%.

Transport infrastructure is another important factor for potential investment in the county. Based on average travel time to reach employment and key services such as schools, hospitals and food stores, England and the East Midlands perform slightly better than Northamptonshire. This is somewhat inevitable given the geography of the county. This may also explain the fact that bus services appear to have a relatively low uptake in the county. There were 29.3 passenger journeys per head in Northamptonshire in 2012-13 – significantly less than the number in the East Midlands (45.3) or England (86.0) as a whole.

Significant infrastructure projects include the planned extension of DIRFT; and a £10million investment in the Northampton Enterprise Zone – primarily in the development of Castle Railway Station, which will provide additional capacity to attract investment into the county. Infrastructure investment is also linked with investment in skills. The full value of infrastructure investments will only be realised if they are accompanied by investment in a range of complementary skills. For example the development of ICT skills, at a range of levels, has been found to be critical if the full potential of investments in ICT broadband infrastructure is to be realised.

Information Communication Technologies

Access to broadband is also a major determining factor in where businesses decide to locate. It is also crucial to existing businesses and their competitiveness and ability to innovate and utilise new technologies. This includes how it connects with, and accesses, existing and new markets and suppliers. It is also becoming a more common way to access many public services. Digital access is therefore a key enabler and central to Northamptonshire's growth plans and creating a SMART county.

Northamptonshire has a target of full New Generation Access coverage by the end of 2017. Currently, there are about 315,000 premises in Northamptonshire. The majority of these are within the existing commercial footprint, or plans of network suppliers currently enabling access to superfast broadband. It is anticipated that this commercial deployment will provide coverage to over 70% of premises by the end of 2015.

The County Council's co-investment partnership with BT, which was signed in March 2013, will extend coverage up to about 90% by late 2015. This involves about 53,000 premises including 3,000 businesses. The remaining coverage area is estimated to include over 34,000 premises. These premises can be characterised into locations which include parts of:

- Northampton, Corby, Kettering and Wellingborough town centres
- Northampton Waterside Enterprise Zone
- A number of business parks and industrial estates
- Some rural areas

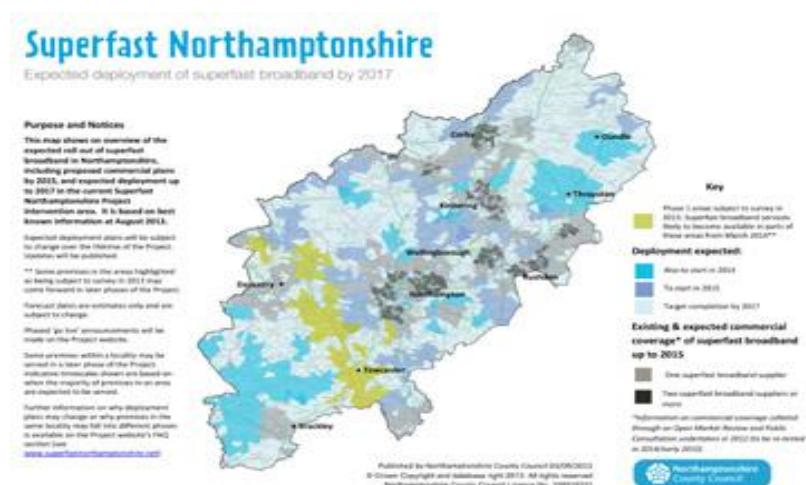
Evidence continues to mount on the critical nature of NGA to business and economic growth and performance. An economic impact assessment, commissioned by the county council in September 2011, calculated that NGA provision in the rural areas of the county alone could deliver about 1,700 new jobs and £110m in additional annual Gross Value-Added by 2026/27.

Solutions for this final deployment phase are being developed in parallel to the mobilisation of the partnership contract with BT. This included the release of a Next Generation Strategy in June 2013. There are two strands to this strategy. The first is access to Next Generation Infrastructure through physical commissioning to 'the final 10 per cent'. The second is maximising benefits through demand stimulation and optimising the application of technology, particularly for businesses.

SME take-up

High-speed fibre optic broadband provision is critical in developing and attracting further investment in high value added technology intensive sectors. These have the potential to create additional jobs and wealth and increase productivity levels as well as enabling people to access services and work from

home. Northamptonshire generally achieves download speeds above 2mbps. However, parts of Northampton and Kettering still suffer from slow download spots and therefore have not yet achieved the target set within the Government's Digital Britain report of every home having at least 2mbps broadband by 2012. The Government has further pledged that Superfast Broadband will be available to every home in the UK by 2020.



Alongside the on-going need to provide 100% coverage of the county by NGA there are issues associated with the lack of widespread awareness of the opportunities provided by NGA and take-up of services and applications is patchy. However, evidence is limited and this is the case nationally. In August 2013, the county council launched a business survey supported by local business bodies to help address this and better assess the demand for Superfast Broadband requirements.

There is also the potential for NGA to contribute to the Social Inclusion and Skills objectives of this Strategy. NGA, when delivered across the county, can deliver a more inclusive society especially within Northamptonshire Rural Communities. For example, by allowing more people to work from home, increasing the life/work options in rural communities and by promoting digital skills and capacity and capability to aid competitiveness and digital literacy High speed broadband will improve productivity – as it allows local government and business to cut their operating costs. Through the 'Superfast Northamptonshire' project, Northamptonshire aims to be the first area in England with full Next Generation Access by 2017 – three years ahead of European targets. Whilst the shift to superfast broadband has the potential to attract new investment, and therefore employment, into the area, it may also have an impact on consumer spending patterns with uncertain implications for local employment. Either way, however, the impact of improved information infrastructure is unlikely to match that resulting from the earlier switch from dial-up to broadband internet, at least in the short term. Furthermore, a shortage of skills is at least as big a hindrance to putting technology to good use as constraints on bandwidth. This, in turn, has implications for skills policy.

Implications for the Northamptonshire ESIF

The European Commission view is that the UK should not invest ESIF funding on broadband infrastructure and for that reason the focus of support under this programme will concentrate on maximising benefits through demand stimulation and optimising the application of technology, particularly for businesses. Launching the Superfast Business initiative in early 2014 including bespoke platforms and online information for local businesses (including showcasing local businesses), face to face business support and mentoring and grants including a connection voucher for businesses could be a feature of the Growth Hub support identified in this programme. The county council has earmarked at least £300k for this initiative for spend in 2013/14-2015/16.

Environment

Northamptonshire is now experiencing warmer, drier summers and shorter winters, with increasing incidences of extreme weather. Between 1998 and 2010 Northamptonshire was affected by a total of 68 extreme weather events. The latest UK climate projections for the East Midlands, based on a

'medium emissions' scenario predict increased mean summer temperature of 3.5°C, increased mean winter precipitation of 18% and decreased mean summer precipitation of 19% by 2080. It is highly likely Northamptonshire, like the rest of the UK, will see further increases in average temperatures, greater rainfall intensity and more flooding. This implies a growing threat to property, habitats and species, and air quality.

Air Quality

The concern for air quality is mostly around the major transport routes, and in the more densely populated areas which suffer from traffic congestion. In response to this, eleven Air Quality Management Areas (AQMAs) have been declared; 10 in Northampton and 1 in South Northamptonshire.

Daventry, South Northamptonshire and Corby have some of the highest per capita consumption levels of fossil fuels in the country. Furthermore, CO₂ emissions per capita in Northamptonshire are higher than both the East Midlands and England. Although it has the second smallest share of population in the county (11.4%), Daventry has the second highest levels of CO₂ emissions and consequently ranks highest in terms of per capita emissions.

It should be noted that these high emissions figures are the result of the type of industry found in these areas, rather than unusually polluting behaviour of its residents. Indeed, these higher emissions levels may be explained partly by the concentration of logistics and transport businesses and manufacturing in the county. For other areas that have already made significant progress in reducing emissions and their carbon footprint, there may not be much capacity for further improvements. There is an opportunity for Northamptonshire to be innovative in reducing its impact on climate change.

A County Full of Natural Assets

Northamptonshire does have many important natural assets. The Nene Valley provides the backbone to a 'green arc' that runs through the heart of the county, creating a rolling landscape that is quintessentially English. It is the key attribute in shaping the future of Northamptonshire's natural environment and contains a number of important habitats including the internationally recognised Upper Nene Valley Gravel Pits Special Protection Area (SPA) - the ancient woodland and limestone grasslands of Rockingham Forest, sandy grassland and heathland around Daventry and Northampton and the River Nene itself. These assets need to be conserved to retain and enhance their function and diversity. In addition, where appropriate, they need to be made accessible and promoted more widely to attract both local residents and visitors from further afield.

The natural environment in Northamptonshire already attracts numerous people for recreation, particularly to specific sites such as Brixworth, Sywell, Irchester and other country parks such as the Brampton Valley Way, Salcey Forest and Stanwick Lakes. The Northamptonshire countryside has much more on offer that could be promoted to attract long stay visitors and also improve access to green spaces for residents. Further enhancements of the Nene Valley and wider recognition of the SPA status and Wetland of International Importance (Ramsar site) of the Upper Nene Gravel Pits could help raise the area's profile. There are also considerable opportunities for the county's environmental assets to provide greater access and connectivity that supports recreation and tourism as well as local movements as identified in RNRP's interactive Environmental Character Assessment and Green Infrastructure suite.

The Rockingham Forest in the north of the county has been selected by Defra as one of only five climate change projects nationally to support the UK Low Carbon Transition Plan and the government's Carbon Plan to pilot a Carbon Sink Forestry Project (Rockingham Forest- Forest for Life). The pilot aims to sequester carbon and explore opportunities to establish wood fuel supply chains with wider recreation, biodiversity, health and economic benefits.

Electric Corby is a key part of the growth and regeneration plans which aim to make Corby, Northamptonshire one of the most environmentally and economically sustainable areas in the country. Corby is the fastest growing Borough in the UK, and will double its population to 100,000 by 2030. This rapid house building provides a great opportunity to change the way Corby and Northamptonshire residents live and travel for the better. Electric Corby's aim is to provide new jobs to match the area's increasing population, leveraging this population growth to generate significant new

employment with an environmental focus. Through the Electric Corby project, the town is aiming to become one of the most environmentally and economically sustainable areas in the UK.

Resource opportunities from bio fuels and renewables will have to be balanced with food production needs but focus on such land uses on lower grade agricultural land and incorporate opportunities to increase biodiversity.

Moving Towards a Low Carbon Agenda

The county is in a good position to build on the current investment that has been made in developing the low carbon technology sector. Investment in initiatives such as Electric Corby, the UTC and iCon focused on environmental technologies and the development of Eco Park at Kettering shows there is plenty of scope for future development within this sector.

NEP is also trying to ensure that the investment in the low carbon sector (under the HPT work) is showcased demonstrating the different technologies as well as spin-outs from the High Performance Technologies sector that could link into greener logistics. There is also a sub group of the NEP board that is looking at the energy issues affecting businesses (cited as one of the key issues for growth by companies at the private sector consultation on the priorities of the Northamptonshire ESIF).

Protecting the Natural Environment

Informed by the Core Strategies, Northamptonshire is planning to support high levels of housing and employment growth. Such levels of development will inevitably put pressure on an already stressed natural environment. Greenfield development, agricultural intensification and lack of investment has led to habitat fragmentation and biodiversity loss. Over the last 50 years, the county has witnessed the greatest decline in plant diversity of all UK counties, averaging the loss of two species a year.

The table below shows the use of energy type by district in comparison with the UK average and the breakdown by industrial, domestic and transport. These tables demonstrate the challenges facing the area in terms of driving the SME and commercial sector (especially transport towards more sustainable energy usage) with Daventry and South Northamptonshire showing particularly high demand for electricity and oil.

Implications for the Northamptonshire ESIF

The county is well recognised for its high value nature and bio-diversity as well as for its cultural heritage especially in relation to motorsport, heritage and buildings of historic importance. A low carbon economy is not simply about having the lowest carbon emissions. Areas like Northamptonshire with an economy steeped in transportation and manufacturing cannot realistically have the lowest emissions of any area.

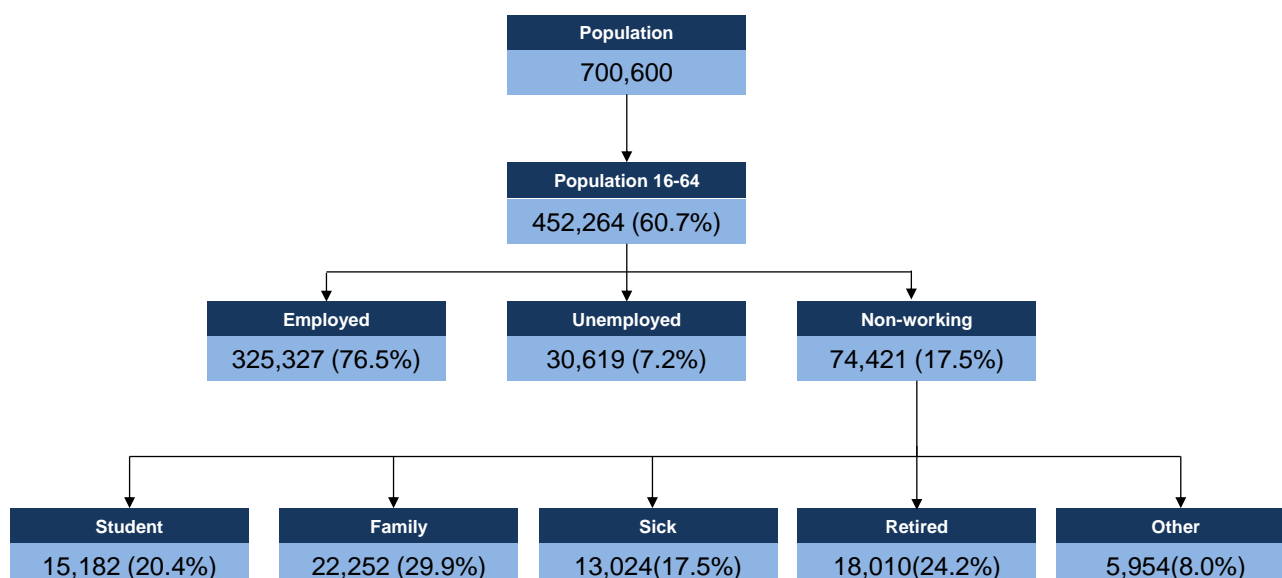
A low carbon economy is about a transformation away from a carbon intensive economy towards a strong, forward-looking economy where many jobs and businesses operate in industries that respond to climate change. There need to be actions to reduce energy demand and increase resource productivity in regional businesses as part of an integrated package of business support.

Employment

According to the ONS mid-year estimate for 2012, Northamptonshire had a population of 700,600, of which 452,264 (60.7%) were of working age. Of the working age population, 325,327¹⁰ (76.5%) were employed – a higher proportion than the national average. A further 30,619 (7.2%) were unemployed, and 74,421 (17.5%) were classed as non-working, or economically inactive¹¹.

¹⁰ Resident based-employment. The 320,440 quoted in the rest of this report is workplace-based employment

¹¹ Note: Unemployment rate is based on the ILO definition – which is higher than the JSA claimant count measure cited in the rest of this report



Source: ONS mid-year population estimate; Annual Population Survey

Figure 2.8 – Labour market structure, Northamptonshire, 2012

Economic activity

Northamptonshire has an economic activity¹² rate of 82.5% (as of June 2013) – which was above both the East Midlands and England (77.5%). None of the comparator LEPs has a higher activity rate – the closest is Gloucestershire (81.3%). There are noticeable differences by district, with South Northamptonshire having the highest economic activity rate (90.5%) and Daventry the lowest (77.5%). All other districts are above the England average of 77.5%.

Male (87.5%) and female (77.5%) activity rates are also above the regional and England averages – East Midlands: males (83.2%), females (71.9%); England: males (83.5%), females (71.6%).

Whilst the activity rate of 20-24 years olds (87.5%) is lower than that of 25-49 year olds (88.8%) in Northamptonshire, the gap between the two is much wider in the East Midlands (15.6%) or England (12.2%). This is because, despite near identical activity rates for 25-49 year olds, economic activity among 20-24 year olds in Northamptonshire (87.5%) is significantly higher than in the East Midlands (71.3%) or England (73.8%). This could in part be due to the fact that Northamptonshire has higher shares of employment in sectors which do not require higher education qualifications – meaning the 20-24 year old population are less likely to be in full time education (i.e. out of the labour market) and more likely to be employed.

Employment Rate

Northamptonshire has a resident-based employment rate of 76.5% (as of June 2013), which is markedly higher than the corresponding regional (71.2%) or England (71.3%) averages. Employment rates in the county range from a low of 73.7% in Northampton, to a high of 88.9% in South Northamptonshire – which has the highest employment of all 326 English local authorities. Again, both male (81.0%) and female (72.0%) rates are above the East Midlands and England averages.

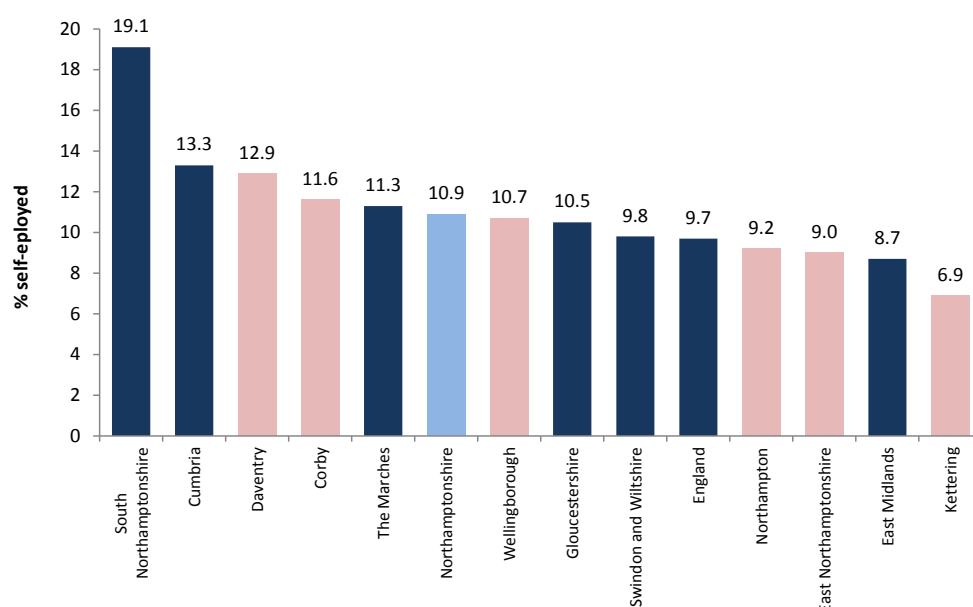
¹² A person is defined as being economically active if they are either employed or are unemployed but want to supply their labour to produce goods and services.

Self-employment

Northamptonshire's self-employment¹³ rate is 10.9% (ranging from 6.9% in East Northamptonshire to 19.1% in South Northamptonshire). This is above the regional and national rates of 8.7% and 9.7% respectively. Between 2005 and 2013, the percentage of the working age population classed as self-employed in Northamptonshire has risen from 9.7% to 10.9%.

These findings are summarised in Figure 3.2 below. The greater percentages of self-employment in Cumbria and Gloucestershire LEPs are driven in part by the high levels of agricultural employment in those areas.

Self-employment, on its own, is not a definitive indicator of a high degree of entrepreneurship in the area. However, high rates of business births and deaths, strong survival rates of start-ups, a large SME base and a well-recognised High Performance Technologies (HPT) sector, all suggests a strong entrepreneurial spirit across the county.



Source: Annual Population Survey

Figure 2.9 - Self-employment, Northamptonshire and comparators, 2013

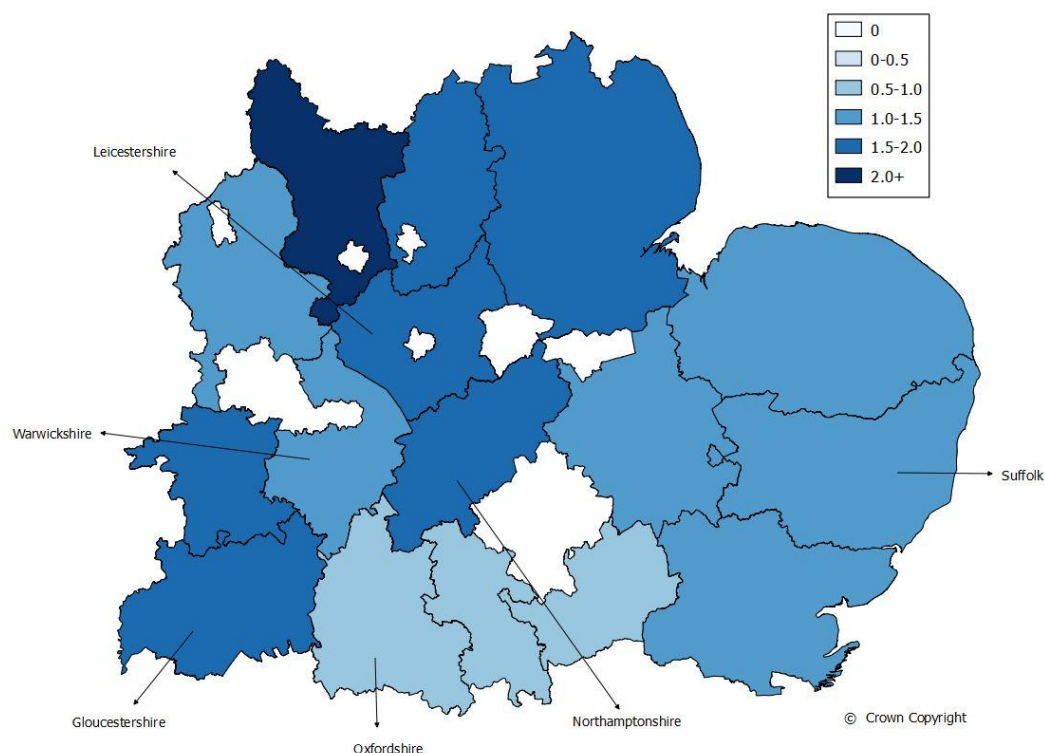
Employees by sector

There were 320,440 employees in Northamptonshire in 2011¹⁴. In terms of sector structure, Northamptonshire has high concentrations of employment in manufacturing, transport, and business administration. However, manufacturing is expected to continue declining in the years ahead, as it has for the last 15 years, albeit at a lesser rate. The sector is more heavily concentrated in Northamptonshire than the national average, or indeed in neighbouring counties (see Figure 3.3).

Services employment grew by 3.6% between 2009 and 2011, compared with just 1.1% in the East Midlands and 0.7% in England. By contrast, more than 1,000 manufacturing jobs were lost in the county over this period, with the pace of contraction in line with national and regional trends.

¹³ Note: Annual Population Survey self-employment data can be volatile. The data is based on small sample sizes and can therefore vary quite a lot from year to year.

¹⁴ These are workplace based employee figures and are therefore different from Figure 3.1 at the start of this section, which cite resident based employment.



Source: ONS, Oxford Economics

Figure 2.10– Concentration of employment in the manufacturing sector, 2012 location quotient

Note: Map shows concentration of employment at county level, and it was not possible to get comparable data for areas that have been left blank

Aside from manufacturing, the service sector provides the county's largest employers. Business administration and health each accounted for more than 10% of jobs in Northamptonshire in 2011, with other significant contributions made by retail, education and wholesale (see Table 3.1).

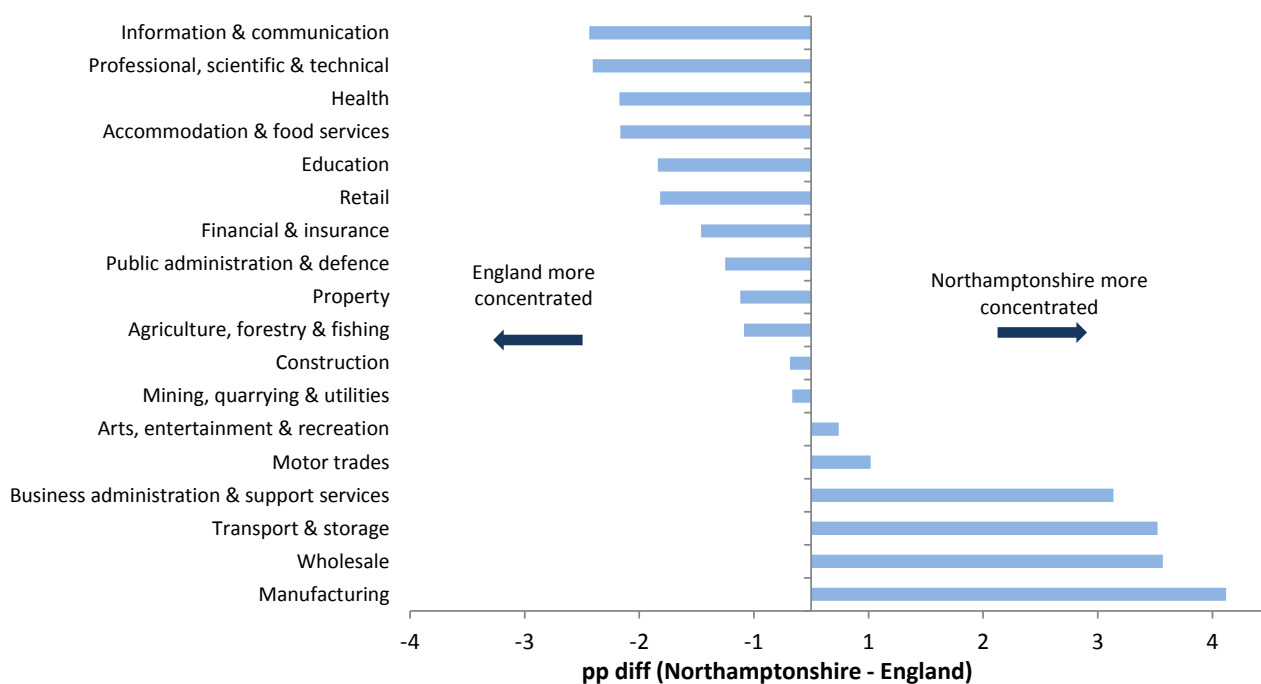
Northamptonshire has a relatively high concentration of employment in the manufacturing, wholesale, transport, and business administration sectors compared to England (a 3.6%, 3.1%, 3.0% and 2.6% percentage point difference respectively – see Figure 3.4.)

The sectoral employment structure of Northamptonshire is very similar to those of its comparator LEAs. The smallest 2 shares are in the agriculture and mining sectors, and the two largest 2 are manufacturing and health. Northamptonshire has a higher percentage of employment in wholesale and business administration & support services than any of its comparator areas.

	Northamptonshire		East Midlands		England	
	Number	%	Number	%	Number	%
Agriculture, forestry & fishing	210	0.1	17,860	0.9	150,450	0.7
Mining, quarrying & utilities	3,130	1.0	27,470	1.4	263,100	1.1
Manufacturing	39,520	12.3	248,060	13.0	2,009,170	8.7
Construction	13,750	4.3	93,240	4.9	1,032,430	4.5
Motor trades	7,340	2.3	40,940	2.1	408,790	1.8
Wholesale	23,440	7.3	97,570	5.1	979,300	4.2
Retail	28,390	8.9	194,370	10.2	2,346,870	10.2
Transport & storage	24,590	7.7	94,450	5.0	1,072,380	4.7
Accommodation & food services	16,450	5.1	108,680	5.7	1,567,570	6.8
Information & communication	7,190	2.2	45,080	2.4	963,685	4.2
Financial & insurance	9,820	3.1	37,390	2.0	928,430	4.0
Property	3,030	0.9	20,010	1.0	360,950	1.6
Professional, scientific & technical	17,960	5.6	94,540	5.0	1,731,960	7.5
Business administration & support services	35,150	11.0	174,910	9.2	1,921,400	8.3
Public administration & defence	13,590	4.2	92,020	4.8	1,150,810	5.0
Education	26,210	8.2	190,800	10.0	2,194,820	9.5
Health	35,370	11.0	247,850	13.0	2,931,120	12.7
Arts, entertainment & recreation	15,300	4.8	82,490	4.3	1,045,700	4.5
Total	320,440	100.0	1,907,730	100.0	23,058,935	100.0

Source: ONS

Table 2.5 – Employees by broad sector, 2011 – Northamptonshire and comparators



Source: Oxford Economics

Figure 2.11– Relative concentration of employment by industry, Northamptonshire vs. England, 2012

In the period between 2009 and 2011, Northamptonshire's two most concentrated sub-sectors, with employment of over 1,000, were the manufacture of footwear, and manufacture of grain mill products. The manufacture of turbines and engines has become more concentrated in Northamptonshire (employment in the sub-sector grew by 68% between 2009 and 2011) – emphasising further the growth of the HPT sector in the county (see Section 3.1.5).

Northamptonshire has an above average concentration of employment in a number of manufacturing sectors (such as the manufacture of footwear, grain mill products, engines/turbines and corrugated

paper & paperboard). However the county has a below average level of employment in a number of key service sectors including health and social work, education, real estate, and accommodation & food services.

Northamptonshire has a comparatively low level of public sector¹⁵ employment (15.7%) compared to the East Midlands (20.4%) and England (20.5%). This varies considerably by district, with East Northamptonshire having a comparatively low proportion of public sector employees (9.3%); and Kettering, the highest; at 22.0%. Of the comparator LEPs, public sector employment ranges from a low of 19.5% in Swindon & Wiltshire, to a high of 23% in Cumbria. A relatively low concentration of public sector employment means the Northamptonshire labour market is less exposed to public expenditure cuts than is the case nationally or in the comparator areas.

High Performance Technologies

The HPT sector in Northamptonshire is best known for its association with motorsport and Formula One, with two teams based in the county, as well as the Silverstone racing circuit, the home of the British Grand Prix. Northamptonshire and the surrounding areas are a well-established location for high performance technology and companies in the supply chain. Motorsport related business include suppliers such as Cosworth in Northampton, the Mercedes AMG Petronas race team in Brackley, and the Sahara Force India team at Silverstone. However, engineering expertise in the county can be found across a range of industries, including defence, aerospace, composites and renewable energy.

South Northamptonshire and Daventry rank in the top third of the UK Competitiveness Index (UKCI) based on the percentage of knowledge-based businesses (ranked 74 and 107 of 380). It is worth noting that without an appropriate skill base, a supply of suitably qualified graduates, and infrastructure to take advantage of Northamptonshire's central location, the HPT sector in the county could not thrive as it does. The importance of investment in skills, innovation and infrastructure (roads, rail, broadband) can therefore not be understated.

Knowledge, expertise and technology developed in some industries can be applied to others in the HPT sector. For example, Formula One teams have worked with Airbus and Rolls Royce to develop the next generation of computational aerodynamic technology. Similarly, Force India has worked with Airbus on collaborative projects. This can help new and innovative products get to market quicker.

These HPT sectors are a significant driver of innovation in Northamptonshire, and although skilled engineers and other staff are attracted from across the country to roles in these sectors, it is important for STEM (Science, Technology, Engineering and Mathematics) subjects to be encouraged and promoted in schools and colleges in the local area, as there is a demand for these not only in the HPT sector but also the logistics and the food and drink sectors. Whilst fostering an innovative HPT sector is by no means the only route to economic success, the sector does help the county to attract high value employment.

Distribution and Logistics

The county's central geographic location and ease of access to national and international markets is reflected in the high level of employment in the distribution/logistics, or 'wholesale' sector and in the relative concentration of national distribution centres and major rail freight terminals. The area of England around Northamptonshire, and parts of Leicestershire and Warwickshire is home to one of the largest concentrations of major distribution facilities anywhere in Europe. Much of this activity is clustered in the area covered by the M1/M6, A14 and A43/A45. The county is also well placed to make use of major rail lines: the Midland Mainline, the West Coast Mainline and Chiltern line, and links to Eurostar at St Pancras.

Overall, 7.0% of employees in Northamptonshire work in the logistics¹⁶ sector compared to 4.2% in the East Midlands and 3.4% in England. By district, it is an especially large employer in Daventry (14.3%) and Corby (10.8%). This is due to the presence of the Daventry International Rail Freight Terminal (DIRFT) – a large freight and warehousing facility near the town of Crick. A 7.5million sq. ft expansion has also been planned – providing potential for a significant boost to employment – providing high and low skilled roles throughout the construction and operating phases of the

¹⁵ Public administration & defence (such as emergency services), education and health

¹⁶ Transport/storage of goods

development. DIRFT forms an essential part of the supply chain for the Northamptonshire economy. The facility's previous and planned expansions demonstrate the increasing importance of rail to the efficient movement of goods. A proposed expansion has the potential to boost employment significantly, providing high and low skilled roles throughout the construction and operating phases of the development.

Northamptonshire's comparator LEPs may not have quite the same advantages in terms of transport links. The distribution and logistics sector is expected to continue growing in Northamptonshire – due to the large, diverse SME base in the county, access to a large workforce, and low wage and property costs. Northamptonshire's location, with easy access to markets and the labour supply is one of its key strengths. Maintaining this advantage will be subject to improvements in transport links, such as the A14.

Source: ONS

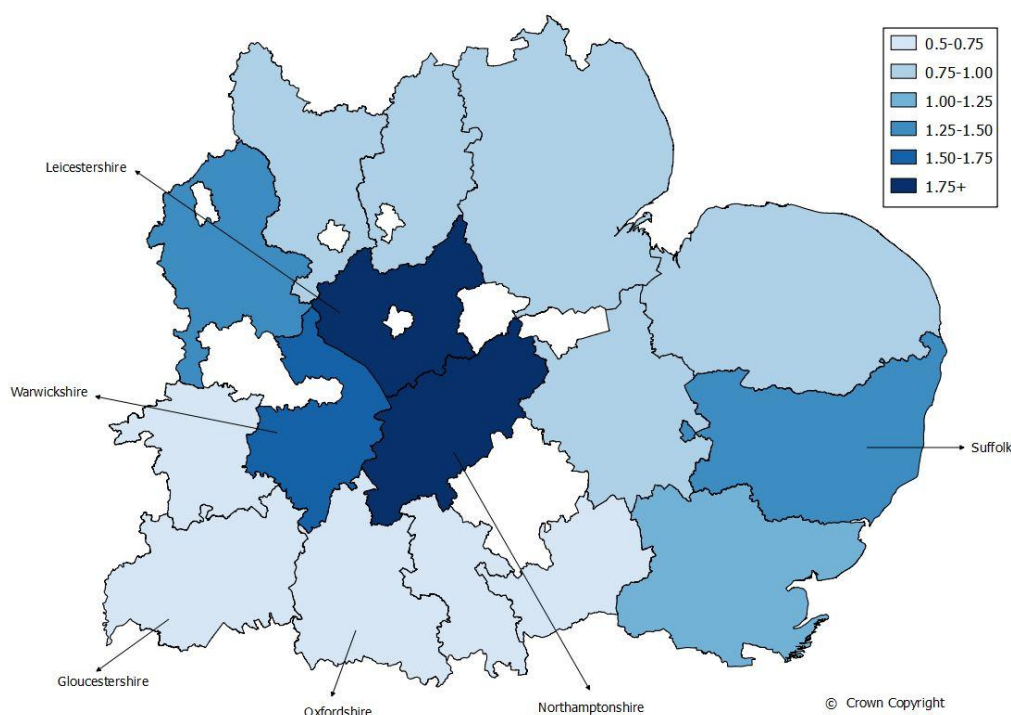
Table 2.6 – Employment in distribution and logistics (% of total), Northamptonshire and comparators,

	Road/rail/water/air transport	Warehousing	Postal & courier services	Support for transportation	Total
Northamptonshire	2.0	3.2	1.2	0.5	7.0
Corby	3.7	6.5	0.3	0.3	10.8
Daventry	4.2	7.1	2.6	0.4	14.3
East Northamptonshire	2.2	3.0	0.6	0.5	6.3
Kettering	1.3	1.2	0.6	0.4	3.5
Northampton	1.3	1.6	1.2	0.6	4.7
South Northamptonshire	2.3	2.8	0.8	0.2	6.2
Wellingborough	1.4	5.7	1.4	0.6	9.1
Cumbria	1.8	0.4	0.9	0.2	3.3
Gloucestershire	1.2	0.6	1.2	0.1	3.1
Swindon and Wiltshire	1.0	1.2	1.1	1.2	4.5
The Marches	0.8	0.8	0.8	0.3	2.7
England	0.9	0.8	0.9	0.8	3.4
East Midlands	1.2	1.5	0.9	0.6	4.2

2011

Food and Drink

The Food and Drink sector in Northamptonshire is also a significant employer. A number of large companies including Weetabix, Carlsberg UK, Whitworths, British Pepper and Spice & Alpro are



based in the county. A recent report commissioned by NEP found that whilst there was a 3% decline in employment in the sector across the country, it actually increased by 5% in Northamptonshire. The

report also found that barley is a major revenue stream, with 16% of the UK's brewing capacity based in the county, making it one of the country's most active in the brewing industry.

One of the main drivers of growth of the sector is the county's central geographic location and ease of access to UK and international markets. This allows producers to reach their customers quickly, and reduces transportation costs. The planned expansion of DIRFT will help the thriving food and drink sector continue growing – again highlighting the importance of infrastructure investment – which is vital to logistics – as discussed in the previous sub-section.

Occupation Analysis

By broad Standard Occupational Classification (SOC), the top three categories of employment in Northamptonshire are SOC2 (professional occupations – 15.4% of total employees), SOC3 (associate professional and technical occupations – 14.4%) and SOC9 (elementary occupations – 13%). This is similar to the trend in the East Midlands and England. Overall, just under two-fifths of employees (39%) in the county are employed in 'higher level' occupations (SOC 1-3). This is slightly lower than the regional (39.5%) and England level (44.1%) but is a reflection of the lower than average level of people in the county with NVQ Level 4 or above.

The proportion of employment in higher level occupations in Northamptonshire is also below that of its comparator LEPs – Swindon & Wiltshire having the highest proportion, at 47.1%. Conversely, over a quarter of Northamptonshire's employment (28.5%) is in 'lower level' occupations (SOC 6-9) which is higher than in England overall (25.1%) but lower than the regional level (29.2%). Northamptonshire has the higher proportion of employment in lower skilled categories than its comparator LEPs. The proportion of employment in 'medium level' skills categories (SOC 4-6) is 32.4% - slightly higher than both the regional (30.9%) and England (30.1%) averages.

A full breakdown of occupational employment for Northamptonshire and the comparator areas is shown in the table below.

	Northamptonshire	East Midlands	England
Managers, directors and senior officials	9.2	9.8	10.3
Professional occupations	15.4	16.8	19.5
Associate prof & tech occupations	14.4	12.9	14.3
SOC 1-3	39.0	39.5	44.1
Administrative and secretarial occupations	12.5	10.8	10.9
Skilled trades occupations	9.8	11.1	10.3
Caring, leisure and other service occupations	10.1	9.0	8.9
SOC 4-6	32.4	30.9	30.1
Sales and customer service occupations	7.0	7.6	8.0
Process, plant and machine operatives	8.5	8.6	6.2
Elementary occupations	13.0	13.0	10.9
SOC 7-9	28.5	29.2	25.1

Source: Annual Population Survey

Table 2.7 – Employment at SOC level (% of total employment), Northamptonshire and comparators, 2013

The proportion of people employed in higher level occupations is lower than the national average. A close relationship between the business community, schools, colleges and other further education institutions could help reduce this gap by providing educational offerings in line with the skills required for higher level occupations.

Interestingly, these occupations also represented the largest share of employment at the regional and national levels. At major sub-group level, the occupations seeing the largest growth in employment in Northamptonshire between 2008-09 and 2012-13 were leisure, travel and related personal services (+277%) – an increase from 2,600 to 9,800 jobs; and culture, media and sports occupations (+168%) – an increase from 3,100, to 8,300 jobs.

The occupations recording the largest declines over the period were protective service occupations (-33%) and skilled metal, electrical and electronic trades (-31%).

Disaggregated further, the largest 3 occupations by proportion of total employment in 2013 were:

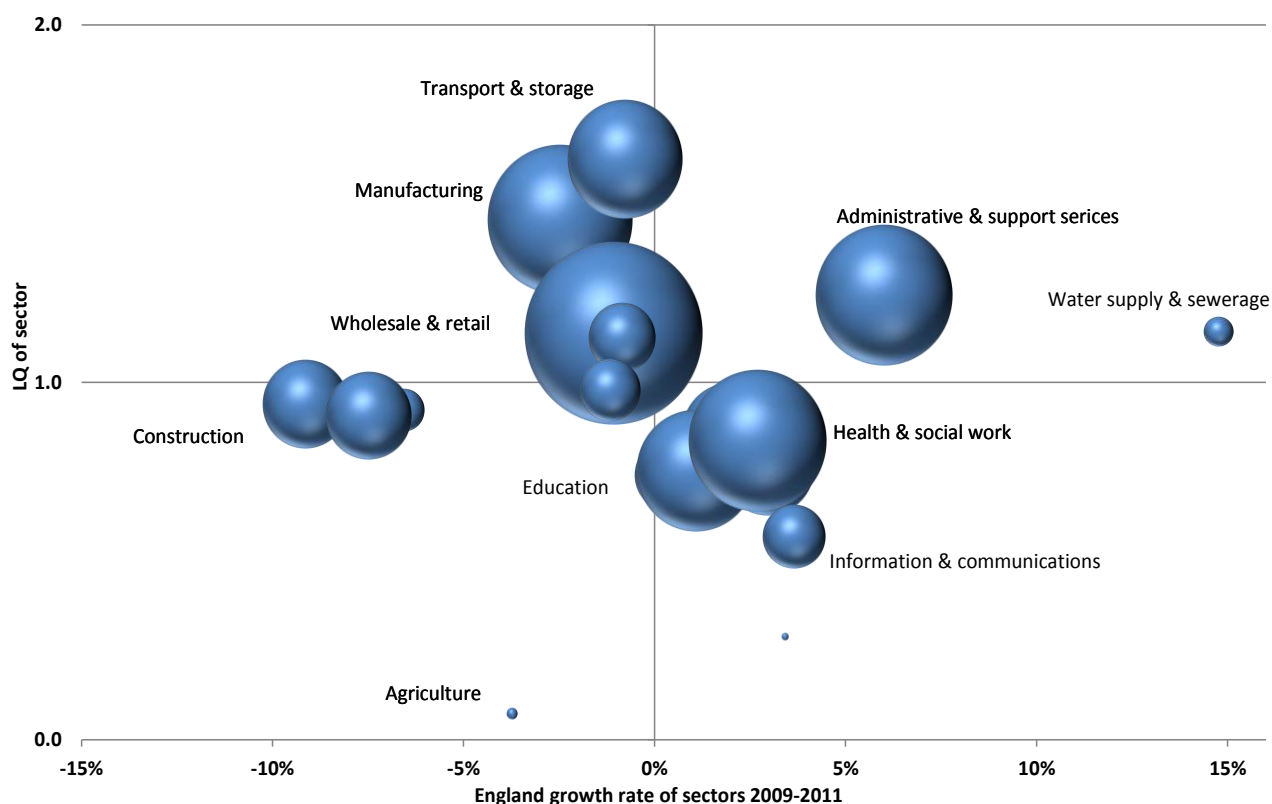
- Elementary administration and service occupations (10.7%);
- Administrative occupations (10.4%); and
- Business and public service professionals (8.5%)

Job Density

In 2011 Northamptonshire had a job density of 0.81 (or 81 filled jobs for each 100 people of working age resident in the county) which is higher than the regional (0.75) and England (0.78) averages. By district, Northampton has the highest job density (1.0)¹⁷ and East Northamptonshire the lowest (0.58). All of the comparator areas had similar value to Northamptonshire, with only The Marches having a lower job density.

Employment Outlook

Figure 2.13 illustrates a number of challenges in the employment structure of the Northamptonshire economy. The sectors employing the most people in the county (the largest bubbles) are in the top-left quadrant, indicating that they are more concentrated in Northamptonshire than in England as a whole, but crucially, that they have experienced falling employment across the UK in recent years. The upper-right quadrant of the diagram shows sectors which are growing nationally and in which Northamptonshire has a structural advantage in terms of local concentration of employment. This suggests for example that the administrative & support services sector should be well placed to support jobs in the Northamptonshire as it is both highly concentrated in the county and has grown strongly across the country.



Source: ONS

Figure 2.13 – Sectors by national growth, location quotient and employment, Northamptonshire, 2009-2011

The table summarises the sectors in which employment in Northamptonshire has experienced (or will experience) the greatest gains and losses in the years leading up to the recession, from the recession to 2012, and for the coming decade. The manufacturing sector has suffered the largest fall in employment since 2000, and is forecast to continue shedding jobs. There are a number of reasons for this: as technological improvements are made, and production techniques become more efficient, the same output can be produced using less labour. Low labour costs in developing economies have also contributed to the decline in UK manufacturing as firms outsource labour intensive work. Employment growth over the next 10 years (assuming no policy intervention) will be driven primarily by the wholesale/retail and administrative & support sectors. The professional, scientific & technical, construction and transport & storage sectors are also expected to drive growth.

Linking Skills, Employment and Innovation

Innovation and appropriate skills are key to long term growth – most notably in the key sectors. Sustainable growth requires an innovation policy that is market driven and supports an environment of innovative activity. However, there is a limited amount policy intervention can do to directly stimulate innovation. An appropriately skilled workforce has a vital role to play in a knowledge intensive and competitive economy and helps economies exploit opportunities in high value-added sectors; it encourages greater investment and innovation – supporting economic growth and higher productivity.

- **Innovation:** High skill levels allow outturns from innovation activity to be fully exploited. Higher level workforce skills help firms become more effective at making use of knowledge, and technology. Education and training providers play an important role in linking with employers to ensure they have an appropriately skilled and flexible workforce to innovate in a competitive global economy - although employers themselves have a key responsibility as well in this area.
- **Business investment:** Firms' investment decisions are based largely on their desire to maximise profitability. In the past government funding assistance had a significant influence on those decisions. Businesses can no longer rely solely on government assistance. The availability of a skilled workforce has become an increasingly important factor as firms seek to make investment decisions. Human capital has been found to attract, embed and retain business investments over the long term.
- **Infrastructure:** Economic infrastructure such as transport, ICT and energy networks provide a driver for economic growth. In Northamptonshire, where this is such an important sector, the full value of infrastructure investments will only be realised if they are accompanied by investment in a range of complementary skills. For example the development of ICT skills, at a range of levels, has been found to be critical if the full potential of investments in ICT broadband infrastructure are to be realised.

Unemployment

Northamptonshire's unemployment rate was 3.2%, equal to the East Midlands and slightly below England (3.3%). There is a significant variation between districts with South Northamptonshire having the lowest unemployment rate (1.2%) and Corby the highest (4.5%). Some districts have been able to maintain consistently low unemployment rates despite the recession.

Table 2.8 – Claimant count unemployment (% of working age population), Northamptonshire and comparators, Aug 2010-Aug 2013

	Aug 2010	Aug 2011	Aug 2012	Aug 2013	Change 2010-13
Northamptonshire	3.3	3.3	3.6	3.2	-0.1
Corby	4.1	4.3	5.2	4.5	0.4
Daventry	2.3	2.3	2.5	2.0	-0.3
East Northamptonshire	2.6	2.6	2.7	2.5	-0.1
Kettering	3.2	3.5	4.0	3.5	0.3
Northampton	4.1	3.9	4.2	3.9	-0.2
South Northamptonshire	1.5	1.5	1.4	1.2	-0.3
Wellingborough	4.1	4.4	4.6	4.2	0.1
Cumbria	2.5	2.8	2.8	2.4	-0.1
Gloucestershire	2.6	2.6	2.7	2.4	-0.2
Swindon and Wiltshire	2.4	2.4	2.4	2.1	-0.3
The Marches	2.7	3.0	3.0	2.6	-0.1
England	3.5	3.8	3.7	3.3	-0.2
East Midlands	3.3	3.6	3.7	3.2	-0.1

Source: Department for Work and Pensions

From August 2010 to August 2013, the JSA Claimant rate in Northamptonshire fell from 3.3% to 3.2%. By district, Daventry and South Northamptonshire experienced the largest fall in unemployment rate (0.3 percentage points each).

In 2013, the male unemployment rate in Northamptonshire was almost twice the rate for females (4.0% male, 2.4% female) which is roughly in line with regional (4.1% male, 2.3% female) and England (4.2% males, 2.4% female) levels. Table 3.8 below shows that in each year, the claimant count for males has been significantly higher than for females.

Unemployment is forecast to fall well below current rates by 2023. We expect the rate to have reached as little as 1.9% by 2023 (assuming no policy intervention). Even under a slower growth scenario, we expect it to have dropped to 2.5%.

A noticeable trend over the past four years has been the increase in long-term unemployment due to the recession. The percentage of claimants in Northamptonshire claiming for over a year has more than trebled - from 7.7% in July 2009 to 25.5% in July 2013. The percentage changes in the East Midlands and England are similar, although Northamptonshire's rate of long term unemployment (25.5%) compares more favourably with regional (29.6%) and national (30%) levels.

	Claiming 1 year or more				
	July 2009	July 2010	July 2011	July 2012	July 2013
Northamptonshire	7.7	19.6	10.2	20.9	25.5
Cumbria	7.7	12.3	10.2	23.2	30.5
Gloucestershire	8.7	16.0	7.7	23.2	27.7
Swindon and Wiltshire	6.9	14.8	7.9	18.9	21.4
The Marches	5.1	13.7	10.2	22.2	26.6
England	9.1	18.2	14.4	26.7	30.0
East Midlands	8.6	20.7	13.1	24.9	29.6

Source: Department for Work and Pensions

Table 2.9 – Percentage of working age claimants claiming for 1 year+, Northamptonshire and comparators, July 2009-July 2013

All areas in Northamptonshire have either shown a drop in unemployment or have stayed the same over the last year. The largest decreases are in Wellingborough, Northampton, Daventry and Corby which hit a four year high in youth unemployment when the last figures were announced in August 2012. Kettering has remained at the same level with 4.1% of the town out of work.

Future Challenges

Individuals are not fully aware of the diversity of jobs available in different sectors of the local labour market. This leads them to develop aspirations that are neither determined by their ability nor based on a comprehensive understanding of the types of jobs available in the county. Jobs are not distributed evenly across Northamptonshire. Northampton has 141,000 jobs for a working age population of 140,851 (a job density of 1) whilst East Northamptonshire has 32,000 for a working age population of 54,971 (a job density of 0.58).

Northamptonshire residents are less likely to be employed in managerial and professional occupations (SOC 2010 Major Groups 1-3) than the national average. Specifically, 37.8% of Northamptonshire residents were employed in these occupations compared with 41.1% nationally. However, this is slightly above the average for the East Midlands of 37.1%. Conversely, Northamptonshire residents are more likely to be employed in elementary and operational occupations (SOC 2010 Major Groups 8-9); 22.1% compared to 18.3% nationally.

The occupation of residents in Northamptonshire varies considerably between the seven districts. Corby has a remarkably high proportion of workers employed in elementary and operational occupations (SOC Major Groups 8-9) (37.3%) whilst South Northamptonshire has a higher than average proportion of workers employed in managerial and professional occupations (SOC Major Groups 1-3) (46.3%).

There is significant variation in the claimant rate between districts. In Corby, the proportion of the working age population claiming JSA is 4.7% and 10% for those aged 18-24 whilst in South Northamptonshire it is just 1.2% and 3.2% respectively.

Northamptonshire has been rated in the top three LEPs nationally for a tight labour market meaning that recruiters find it difficult to recruit staff and there is competition for labour due to a low number of unfilled vacancies per claimant. Jobcentre Plus vacancy statistics from November 2012 17 reveal that there were 332 unfilled vacancies per 10,000 working age population in Northamptonshire – more than twice the national average. Furthermore, the ratio of jobseekers to unfilled vacancies is approximately 1:1 compared with the national situation of over 2:1.

Almost half (48%) of vacancies notified to Jobcentre Plus in November 2012 were in elementary and operational occupations (SOC Major Groups 8-9) whilst just 16% were in managerial and professional occupations (SOC Major Groups 1-3)

Implications for the Northamptonshire ESIF

Addressing the incidence and nature of unemployment in the county by linking the number of jobs to the unemployed locally is a key issue, as is increasing opportunities for unemployed young people. There is a need to improve the match between local people seeking jobs and the skills and competencies demanded by local employers. Efforts must be made to address the local economy's sector structure and attract higher value jobs.

Skills – Supporting Growth in Productivity and Competitiveness

The Northamptonshire LEP area has a higher economic activity rate and a lower unemployment rate than the average for the East Midlands region and England. The relatively high share of the working population that is in employment also presents a structural problem, especially acute in Northamptonshire, which is reported to have the second tightest labour market of all LEPs. Growth can therefore only come from an expanding population and by improving productivity. This in turn requires improved skills; and as widely acknowledged, investment in skills has to be a key driver of growth. However, raising skills levels is a major challenge.

Northamptonshire lags behind other LEP areas in relation to educational attainment levels. The potential to create a skilled workforce is to a certain extent dependent upon the educational system, with a recognition that educational attainment must improve.

In 2012, 81% of 19 year olds in Northamptonshire were qualified to NVQ level 2 or higher which is under the English average of 84%. Northamptonshire ranks 35th among LEPs for the proportion of 19 year olds achieving NVQ level 2.

The spread between LEPs for the proportion of 19 year olds achieving NVQ level 3 is 20.1 percentage points, ranging from 69.0% in Buckinghamshire to 48.2% in Humber LEP, with Northamptonshire achieving 52% and ranked 29th well behind neighbouring LEPs.

The Wolf Report notes (2011, 32) mathematics and English are “extremely important for labour market entry, and continue to have a significant impact on career progression and pay”. The difference in spread between broad NVQ level 2 attainment and NVQ level 2 including mathematics and English suggests schools in LEP areas with weaker overall attainment have been encouraging pupils to take less academic subjects despite the importance placed on mathematics and English by employers.

NVQ level	% Northamptonshire	% East Midlands	% England	LEP Ranking
1	83.5	83.8	84.0	26
2	69.2	70.0	71.8	29
3	49.4	52.0	55.1	32
4	27.5	29.0	34.4	33

Source: ONS annual population survey

Table 2.10 Northamptonshire qualifications by level compared with East Midlands, England and other LEPs

Table 2.10 demonstrates that at every level Northamptonshire is below the national average. Analysis of the workplace based skill levels in the local economy indicates that Northamptonshire has a particular deficit of higher level skills (NVQ Level 4), partly because of competition from the south-east

and related out-commuting. Compared to the English average this represents a shortfall of 30,000 Level 4 workers qualified.

Priority Sector Skills Needs

Key growth sectors for Northamptonshire are not necessarily careers of choice and more needs to be done to attract younger people to the sectors, including addressing career pathways where legal requirements prohibit engaging younger people in particular sectors and roles. More advanced and higher apprenticeships are needed to address the imbalance of skills levels, particularly in engineering with 865,000 employees needed at level 4 and 690,000 at level 3 over the next 10 years. In 2011/12 69% of apprenticeship registrations in Northamptonshire were at intermediate level, 30% at advanced level and only 1% at higher level.

The lack of comprehensive, high quality and impartial information, advice and guidance available to adults, employers, parents but above all for young people presents an issue following the shift to more IAG provision being delivered by schools primarily where schools have their own post-16 provision, and the provision of IAG within schools is seen as variable, as backed up by a recent Ofsted report¹⁸.

These pressures limit the ability of providers to develop new frameworks and pathways in non-traditional areas as these require minimum numbers of learners. National, regional and local skills analyses show that there are a range of skills issues in all of Northamptonshire's priority sectors. These include: leadership and management; technical; employability, and basic skills. In addition, there are concerns within priority sectors over the image of the industry being portrayed to young people; forecast problems of replacement demand, and a lack of employer investment in skills.

Targeted re-skilling presents an opportunity to increase the share of residents with higher level skills. The main skills issues in each key sector are highlighted in Table 2.11 and a more detailed description is provided in Annex 2.

Sector	Reported skills issues / barriers to growth
Advanced manufacturing and engineering	<ul style="list-style-type: none"> • The loss of skilled engineers during the recession¹⁹ • an ageing UK workforce • The lack of appropriate skills • The undersupply of adequately qualified workforce with low mobility • Attraction and retention of talented young people
Logistics	<ul style="list-style-type: none"> • Management and leadership • Deficiencies in basic skills, notably literacy and numeracy • Image of the industry • Unrepresentative labour force profile – reflecting the national picture, the sector is characterised as having an ageing profile, the composition of workers is overwhelmingly male, white and have European ethnic • Lack of understanding of the business case for training – with many firms driven by short-term considerations
Construction	<ul style="list-style-type: none"> • Provider capacity in Northamptonshire will need to meet potential increases in demand for employment in construction due to high population growth and likely increase in house building as the economy recovers • Insufficient supply of skilled workers able to progress to higher level occupations such as project management, technical engineering, positions emerging in the sustainability field and building logistics • Skills shortages are evident in bricklayers; electricians; plasterers; carpenters/joiners; and general labourers. The basic skills of new entrants are seen to be declining, in particular in literacy, numeracy and IT skills

¹⁸ <http://www.ofsted.gov.uk/resources/going-right-direction-careers-guidance-schools-september-2012>

¹⁹ SQW (2009) MKSM Research Project: Economic Development Evidence Base – Final Report

Sector	Reported skills issues / barriers to growth
Health and social care	<ul style="list-style-type: none"> National level skills issues identified include:²⁰ Leadership and Management Commissioning, procurement and Negotiation skills Gateway qualifications and mandatory Continuous Professional Development Specialist skills Basic skills/Employability
Low carbon technologies	<ul style="list-style-type: none"> Skills needs for operatives with basic skills, IT and training to create technicians and advanced technicians to innovate, develop and manage low carbon technologies Managerial level skills This is a cross-cutting theme in construction, environmental sustainability solutions, land based activity, waste management and emerging low carbon activities such as traffic emissions, energy management and carbon capture/storage
Food and Drink	<ul style="list-style-type: none"> Demand for Managerial, professional, business and technical skills Specialist skills Basic Skills/Employability to meet the increased manufacturing employment and export activity and new company investment into the county
Creative and cultural industries	<ul style="list-style-type: none"> High demand for managerial, professional, business and technical skills Working in cross-functional creative/technical teams within and across companies is becoming increasingly important Replacement demands are projected to be even greater than the expansion demands for managerial, professional and associate professionals quantity of graduates may not be sufficient to meet the growing demand for professional and technical skills

Source: Draft Northamptonshire Skills Strategy

Table 2.11 Skills shortages by Northamptonshire growth sector

There have been some signs of improvement in the skills profile in Northamptonshire but this has been mostly at the lower end. The proportion of the population with no qualifications has fallen 2.5 percentage points since 2005. Despite this improvement, the gap between Northamptonshire and the East Midlands/England has still widened.

Apprenticeship starts in Northamptonshire have increased by almost 100% from 2009/10 to 2011/12 with 2,323 starts in 2012/13. However, there remain a number of issues in terms of expansion of apprenticeships which needs addressing to maximise the benefits for employers, individuals and communities.

Investing in education, skills and lifelong learning, the county has recently benefitted from UK government funding support that will enable the setting up of two new University Technical Colleges (UTCs) that will train 14 to 19 year olds in engineering skills and provide a strong future workforce for companies establishing and growing their business in Northamptonshire.

Given the significance of skills levels to the county's economic performance a more detailed SWOT analysis in in Annexes 3 and 4.

Implications for the Northamptonshire ESIF

Improving skill levels in Northamptonshire is key to driving economic growth, and meeting the current and future needs of employers. This needs to operate at both supply and demand level, with the employment generated requiring higher level skills and those occupying these positions being better qualified. This will support overall GVA growth and reduce net outward employment migration of those best qualified.

²⁰ Skills for Care and Development (2010), Labour Market Themes & Trends: summary for the social care, children's, early years and young people's workforces in the UK

An Inclusive Northamptonshire

Overall levels of deprivation are fairly low in Northamptonshire. Compared to other counties in England, Northamptonshire is ranked 48th out of 149 in terms of the overall Index of Multiple Deprivation (IMD) - a measure of deprivation which considers a number of different aspects including income, health and education.

Economic Deprivation Index

The Economic Deprivation Index (EDI) is comprised of data from the Income and Employment Deprivation Domains of the IM. One view of the data ranks all districts in England from 1 (least economically deprived) to 326 (most economically deprived). According to the latest 2009 data, Corby is the most economically deprived district (ranked 49th) and South Northamptonshire is the least economically deprived (ranked 321st). All of Northamptonshire's districts have seen improvements in their respective positions in the overall rankings between 1999 and 2009. South Northamptonshire, the least economically deprived district, has improved by only one place in the rankings during this time period.

Over the current ERDF programme, Corby has been supported through the Priority 2 Axis to support enterprise and growth within disadvantaged areas. Corby was one of 12 districts within the East Midlands that has a ring fenced allocation. There is an opportunity to build on the legacy of some of the projects funded through this support and an evaluation of the activity in Corby will feed into the design of future targeting within areas of deprivation.

Children in Poverty

The HM Revenue and Customs record the number of children living in families in receipt of Child Tax Credit whose reported income is less than 60% of the median income or who are in receipt of Income Support or Job Seekers Allowance, divided by the total number of children living in the area. By this measure, Northamptonshire has 16.1% of children living in poverty which is significantly below both the regional (18.7%) and England (20.6%) levels.

By district, Northampton has the highest level of children living in poverty (20.9%) and South Northamptonshire the least (6.5%).

Third Sector Organisations

Northamptonshire needs to improve upon the involvement of the third sector organisations in the delivery of socio-economic programmes such as the ESIF. This is largely due to a lack of capacity and awareness within the sector of the opportunities presented through these funding streams. The current Priority Axis 2 programme within Corby has, over the past six years, managed to have only one third sector organisation deliver any interventions through ERDF. NEP will look to see how technical assistance can be utilised to help overcome the barriers within the sector. A stronger voluntary and community sector exists in relation to employment and workforce related issues but there is still significant scope to look at broadening the access of ESIF funding for these activities.

NEP has consulted with the local consortium of infrastructure and front line organisations in the VCS in the county. There have also been detailed conversations with the investors into the VCS namely the county council and other organisations as to how the priorities and activities in the Northamptonshire ESIF align with future investment within the sector. All potential investment in the future will look for enterprising behaviours to be adopted and will be aligned to ensure that the VCS infrastructure enables the ability of the sector to secure ESIF funding.

NEP has always supported the development of social enterprise that traditionally helps support economic growth and tackle a wide range of social economic and environmental issues within some of the more deprived areas of the county but that also provide an innovative solution to many issues that the statutory and private sector cannot or do not wish to address. To maximise the job and skills opportunities within the Northamptonshire economy it is important to encourage enterprise and develop links between the local workforce and community and the possibilities which the key strategic employment sites present.

The Rural Economy

With over half of the population of the county living in areas classified as rural it is important to consider some of the characteristics and issues that are particularly pertinent to such areas. In rural parts of the county there are higher than average occupational levels especially in areas such as South Northamptonshire. This is similar to the national and regional picture and reflective of the attraction of a rural lifestyle and environment to higher level occupations. The employment rate in rural parts of the area is higher than in the urban parts. Due to the nature of the rural areas there are higher levels of self-employment than in urban areas.

Jobseeker's Allowance (JSA) claimant rates for rural areas have historically been much lower than in urban areas and continue to be so despite a recent increase in the claimant rate. This measure, however, masks some "hidden" unemployment. Indeed, it is estimated nationally that less than 60% of unemployment is covered by the claimant rate - a point which has been clearly demonstrated by the activity of the South Northamptonshire Jobs Club which has provided support to over 1,600 people seeking employment within the district despite the official claimant figures being low at 1.2 % and not featuring in the tender packages of the Government's Work Programme.

The north of the county has successfully operated a rural partnership which is delivering social and economic benefits through the Local Action Group for a number of years. Diversification has been a key feature of this programme of activity aligning investment with the main Rural Development Programme for England. East Northamptonshire has the potential to diversify the economy to embrace the opportunities offered by the Destination Nene initiative. The farming community need continued support for diversification to meet the new challenges such as increasing competition.

Implications for the Northamptonshire ESIF

Northamptonshire is broadly characterised by relatively high levels of economic activity and relatively low rates of unemployment and child poverty and above average earnings. It is also clear that there are wide variations of deprivation across the county. Whilst the extent of deprivation in many of the constituent districts are below the national average, more than a fifth of the population in Corby and Northampton live in the most deprived areas of England and there needs to be greater partnership in some of the rural parts of the county.

The Outlook

In terms of total employment, the outlook for Northamptonshire is good. In the lower (worst case) scenario, assuming poor investment and export performance at the UK level, employment is forecast to increase by over 29,000 jobs (or 7.7%). In the upper case scenario, it could increase by as much as 22% and the baseline (policy neutral) forecast suggests growth of 14.1% compared with 10.6% for England. Encouragingly, our baseline forecasts (assuming no further policy intervention) suggest that total employment will increase by more than the working age population which means that employment will continue to increase beyond its pre-recession peak.

The main issue for the area going forward will therefore not be in the number of jobs created in the economy but the sectors in which they are created. (see Annex 1). Efforts must be made to address the local economy's sector structure and attract higher value added jobs in sectors such as professional, scientific & technical services, information and communications and financial and insurance activities especially given that the contraction in manufacturing employment is set to continue.

Summary

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

Research, Development & Innovation: Key sector strengths in High Performance Technologies generating £2bn turnover and employing 21,000 people. Increasing appetite for technology transfer between sectors including "green" logistics and HPT. Evidence of low levels of innovation and low absorption of TSB funding to date. Greater emphasis is needed on HEI and business commercialisation and encouraging business investment in Research and Development.

SME Competitiveness: 99% of the companies in Northamptonshire are SMEs. Survival rates are high but drop off significantly after three years. 26.6% of SMEs within the county cite access to finance as a key impediment to growth. Northamptonshire has a strong track record in attracting inward investment. SMEs within the county are not fulfilling their growth potential to overcome barriers relating to access to finance and entrance to new markets (including exports). Entrepreneurial levels vary across the county. Key infrastructure issues in relation to commercial accommodation and broadband especially in rural areas.

Information Communication Technologies: Commercial deployment of New Generation Access is forecast to cover 70% of business premises by 2015. There is a target to have full NGA access by 2017. Awareness amongst businesses of the opportunities provided by NGA and take up services is patchy especially in relation to business use.

Environmental Sustainability and Low Carbon Economy: Energy concern and efficiency is one of the key concerns of the businesses within Northamptonshire. The county is in a good position to build on the current investment in activities such as Electric Corby, the iCON centre and University Technical Colleges for sustainable construction in Daventry. Further action is required to reduce energy demand and increase resource productivity in county businesses.

Employment and Skills: Residents within Northamptonshire are less likely to have been claiming JSA for over 12 months. Northamptonshire is rated 2nd out of the LEP areas for having a tight labour market. Northamptonshire has a lower skills profile compared with comparator LEPs. More advanced and higher level apprenticeships are needed to address the imbalance of skills levels.

Social Inclusion: The county is an area of contrasts. Corby is the most economically deprived and South Northamptonshire one of the least economically deprived according to IMD. Over half of the population live in rural areas where access to transport and broadband hinder economic performance.

Drawing on the analysis above, the broader findings of the development of the ESIF and partners views, the table below presents strengths, weaknesses, opportunities and threats evident within the Northamptonshire economy.

Strengths

One of the fastest growing populations in the UK between 2001-2012, and at 11% growth exceeded regional and national rates

Northamptonshire outperforms the East Midlands and England as a whole, with high economic activity (80.3%) and employment (75.7%) rates

Local economy is strengthened by higher than average private sector employment, with just 15.7% provided by the public sector

Northamptonshire has strong sectoral strengths in manufacturing, administration & other services, as well as key specialisms in High Performance Technologies, Logistics & Distribution, Food & Drink, and Creative and cultural industries.

GVA growth has been higher than the UK average in the years following the recession

The county benefits from a variety of Innovation Assets - including the iCon centre, University of Northampton, two University Technical Colleges, supported by a cluster of High Performance Technology companies, building on a track record of successful innovation projects such as Electric Corby.

The University of Northampton has been ranked number one for Social Enterprise in the UK

Northamptonshire companies have a higher survival rate over a five year period than regional or England averages

Innovative local government and a history of delivering programmes of business support, including INV-ENT, RGF, LOCATE and Soft Landing schemes to support business investment and growth

Planned infrastructure and regenerations investments will support jobs and housing growth in the county, eg Northampton Railway Station, St. Peter's Waterside etc

Recognition for enterprise activity: "Encouraging Export" & "Most Enterprising Place"

A strong collection of recognised national and international brands located in the county, building on and reinforcing strengths of location and existing assets - Golden Triangle, Silverstone

Centrally located and well connected, the county is well positioned for businesses wanting to capitalise on infrastructure links and proximity to UK population

Apprenticeship start in **Northamptonshire** have increased by almost 100% from 2009/10 to 2011/12, with 2,323 starts in 2012/13

Weaknesses

Northamptonshire has a lower skills profile compared to East Midlands and England averages, as well as comparator LEP areas.

Business investment in skills and training has been low, resulting from tightening economies in recent years

Northamptonshire has a lower than average proportion of employees in higher level occupations (39%) than the regional or UK average

Northamptonshire has a high proportion of employment in manufacturing which has steadily been in decline across the UK in recent years.

A Quarter of SMEs in the county have identified access to finance as a key barrier to the growth of their business

Historically low levels of innovation in business, as measured through patent applications and levels of projects supported by TSB funding

The commercial office in market in **Northamptonshire** is localised in nature with a limited number of large, high quality units compared to competing locations.

Recent business growth rates have been lower than regional and England averages - between 2004-2008 active businesses grew by 1,755 (6.8) compared with 7.5% in the East Midlands & 7.4% in England

There is limited capacity of established programmes to support social enterprise development

There are significant viability issues to bringing forward several key employment sites across **Northamptonshire**, which limit the attractiveness of the location to speculative development or potential businesses

There is a general lack of business awareness of opportunities under New Generation Access (broadband) which could limit the impact and effectiveness of the intended roll-out

Average earnings for **Northamptonshire** employees are lower than those for Northamptonshire residents

Higher than UK average consumption of oil & gas in some parts of the county

Opportunities

Population forecast to increase further, with employment estimated to grow by over 37,600 in the next ten years

Building on distinctive and specialised sectors in the county - HPT, Logistics, Food & Drink, Creative & Cultural - to stimulate innovation and growth in high value sectors, leading to increase in GVA and skills levels

Creation of high value jobs will support higher wages for resident employees

Capitalise on the strength of the UoN to grow and develop social enterprises - employment and support role

Protect and enhance infrastructure provision to meet demand of growing population and workforce through: ensuring supply of right type, quality and location of commercial floorspace; unlocking private sector investment through addressing barriers to commercial development.

Protecting and enhancing green infrastructure and biodiversity of the county. Building on existing specialisms in low carbon technologies to support new investment in R&D, resource efficiency and sustainable growth for communities and businesses

Alignment of EU funding to existing programme of works to ensure added value - eg Growing Places funding

Build on the Love Northamptonshire brand to support and secure inward investment to the county, capitalising on major opportunities at the Northampton Waterside Enterprise Zone, Silverstone and Rockingham

Supporting New Generation Access provision to reach 90% coverage by 2015

Supporting rural, isolated or deprived communities and individuals to access training or employment opportunities

More advanced & higher level apprenticeships are needed to support key disciplines, particularly engineering

Key opportunity to focus on making apprenticeships more attractive for young people

Work with industry and training providers to ensure workforce has sufficient skills to meet the changing needs of existing employers and potential new investors to the county

Threats

Contraction in key sectors, including manufacturing, forecast to continue

Skilled workforce are able and willing to travel to employment opportunities outside of the county leaving a skills gap in the county

High levels of planned developments could have a negative impact on the natural environment and biodiversity of the county

Increasing business demand for power generation and infrastructure may not align with phasing of investments, leading to barriers to business growth and investment

The ability of small & micro businesses to engage in or take up provision of support services can hamper growth and affect long terms sustainability of the company

Ageing population and workforce could lead to significant future skills gaps in key sectors

Lack of availability of finance for growth from private and public sector investors

SME competitiveness is limited by a lack of innovation support for key activities - R&D, feasibility, knowledge exchange - when compared with neighbouring areas

Lack employability and basic skills in the workforce limits the capacity for individuals and businesses to grow and innovate

Lack of technical skills limits growth of key sector and high value growth

Rising costs of fuel coupled with an increasing demand will have significant impact on businesses and individuals

Isolation of rural, harder to reach or deprived communities from business or training opportunities

Section 3: Northamptonshire Vision

The ESIF has been developed to sit alongside and complement a number of national strategic documents and is a key component of the funding that will be used to address and deliver some of the key priorities that have been developed in the Northamptonshire SEP.

The Northamptonshire Strategic Economic Plan – An Overview

The Strategic Economic Plan is the overarching economic document for Northamptonshire. The draft SEP which was submitted to Government on 19th December builds on Northamptonshire's 10 Point Plan, which has already been agreed and submitted to Government, and responds to pressures for growth and the need for innovation.

The SEP can be summarised as follows:

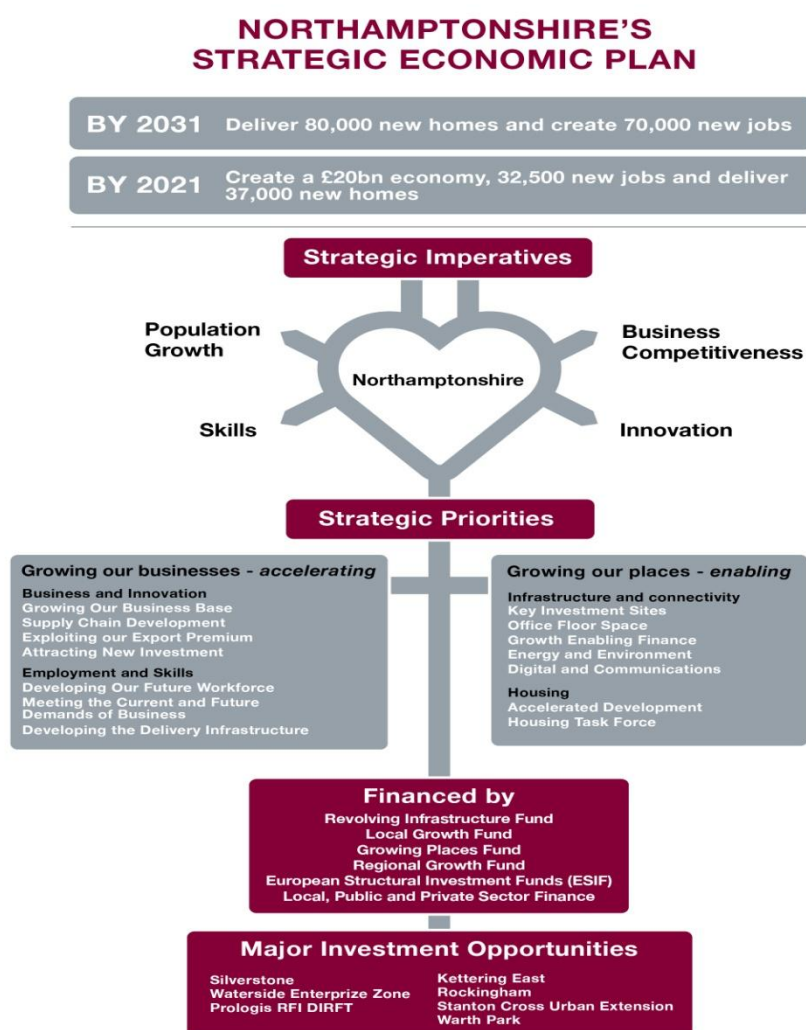


Figure 3. 1 Northamptonshire Strategic Economic 'Plan on a Page'

The SEP provides the investment framework to 2021. Within this framework investment will need to be channelled into those assets that can provide the maximum momentum and impact in the programme period as well as those that provide the basis for longer-term success. It combines the various funding streams in support of the identified investment priorities, creating a 'Single Pot' to provide flexibility, efficiency and assessed using a streamlined Strategic Appraisal Process (SAP).

The overall scale of the investment fund is still to be determined, depending in large part on decisions by central government. However, it might be expected that as a minimum the SEP will draw upon:

- £100m investment raised through the RIF (excluding LGF)

- £49m investment from European Structural Investment Funds (ESIF)
- £49m of match funding from UK and local sources (including private sector)
- £135m of LGF funding for short term deliverables, £100 million of co-financing for NRIF and £270 million of LGF investment in longer term project developments.

An initial planning total of £703m over 7 years, supported by major private sector investment, provides a first indication of the potential scale of the investment.

SEP Vision

The SEP vision is to:

Increase the prosperity of Northamptonshire's people and businesses by creating high skilled employment opportunities, within the most connected, safe and vibrant place to live, work and do business.

The Strategic Economic Plan (SEP) will help to direct investment (combining EU, National and local public and private funds) to support Northamptonshire as one of the fastest growing economies in the UK and increase the county's GVA by 1% more than the UK's growth rate every year to 2021, resulting in a £20 billion economy, similar in scale to those in Liverpool and Sheffield City regions. This growth will be unmatched anywhere outside of London.

The Strategic Economic Plan provides the necessary framework for Northamptonshire and Government to co-invest to deliver sustainable economic and housing growth. Local Growth Fund (LGF) and other sources will provide the necessary catalyst, accelerating delivery (over and above what the LEP should be receiving through the non-competitive element of LGF).

The Northamptonshire ESIF will form a key funding source within the Fund's 'Single Pot' approach and will be the key funding source for innovation and SME competitiveness and addressing the skills agenda.

Alignment with Other Policy Goals

The Strategic Economic Plan and ESIF do not sit in isolation to other strategic plans within Northamptonshire. The ESIF will build upon and support the delivery of a number of existing plans which include:

- Local Transport Plan
- Local Economic Development plans
- Core Spatial Strategies
- Apprenticeship Plan
- Skills Strategy
- Sustainable Communities Strategies
- Northamptonshire Arc and its associated sub-plans including transport, environment, economy and Digital Connectivity.

Northamptonshire SEP and ESIF have been designed to support the UK Government's key priorities of driving sustainable and 'balanced' growth including:

- the 'Plan for Growth' (2011) which aims 'to achieve strong, sustainable and balanced growth that is more evenly shared across the country and between industries'
- Skills for Sustainable Growth (2010) which sets out the ambition to have world-class skills base to stimulate private sector growth that will bring new jobs and provide a consistent source of competitive advantage
- the Strategy for Sustainable Growth (BIS, 2010) which sets out long-term plans for 'a sustainable economy that is greener, more enterprising, more technologically advanced, more balanced and grounded in diverse sources of sectoral strength
- The Government's Industrial Strategy also has a particular focus on developing business competitiveness in key sectors of which Northamptonshire has particular expertise and specialisms, including advanced manufacturing, knowledge-intensive traded services, particularly professional/business services and enabling industries such as energy and low carbon

This plan also seeks to support the Government's ambition to improve the framework conditions for greater private sector investment in innovation and proposals set out in Innovation and Research Strategy for Growth. It will also support the outcomes of the Witty Review and Government's aspirations to drive forward innovations across the eight great technologies. This includes maximising European funding opportunities that support the research and innovation agenda, and smart specialisation through ESI Funds and Horizon 2020.

Section 4: Northamptonshire European Investment Priorities

Introduction

The Northamptonshire ESIF is about delivering the key priorities of the Europe 2020 Strategy, namely:

- **Smart growth:** developing an economy based on knowledge and innovation
- **Sustainable growth:** promoting a more resource efficient, greener and more competitive economy
- **Inclusive growth:** fostering a high-employment economy delivering social and territorial cohesion

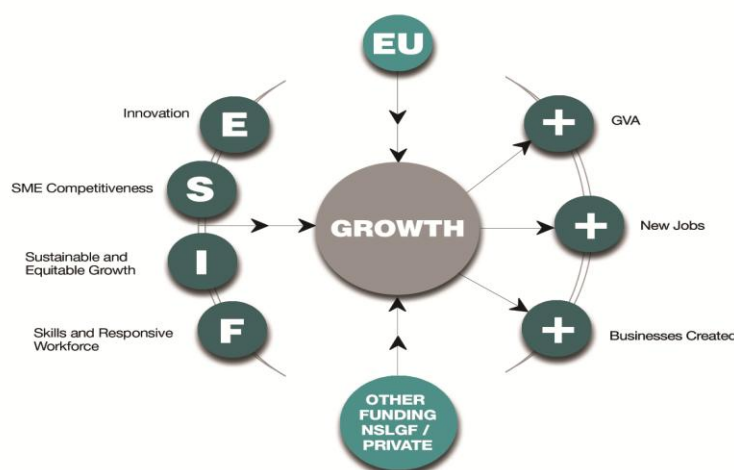
Since the Local Enterprise Partnership (LEP) initiative was first inaugurated, Northamptonshire has found itself surrounded by no less than six LEP's because of its unique geographic location in the middle of the country. We have been working to develop relationships with all of our neighbouring LEPs and have adopted an approach for collaborative working, particularly with SEMLEP as five of the Northamptonshire Local Authorities sit within both LEP geographies.

The clear focus for all partners is on the delivery of SMART driven economic prosperity for Northamptonshire and making a significant contribution to the economy of UK plc as a pro-growth powerhouse for the economy. NEP is being driven by a powerful private sector led Board of non-executive directors in partnership with the public, including leaders from the County Council and representatives of the district and borough councils, education and voluntary and community sectors. NEP has already demonstrated its impact through a growth focused business plan, which is well aligned with the Government's own economic priorities and ambitions for private sector led jobs growth and investment.

NEP is clearly Northamptonshire focused in terms of delivering economic outcomes but its outlook and collaborations are much wider spreading throughout the UK and importantly, globally including trade linkages with India, China and Europe which are already showing considerable potential. We have managed to minimise bureaucracy and encourage an entrepreneurial approach to delivering jobs and economic growth across a wide range of sectors covering the whole of the county without fuss and protracted debate over structures and organisational arrangements.

We feel that each EU Fund programme must complement each other and work in concert with other EU funding streams including Horizon 2020, ERASMUS and COSME. Our European Investment Office has a strong track record in supporting partners to successfully obtain external funding. We will continue to provide advice and support to assist organisations in the county to apply for European funding to deliver trans-national projects.

Figure 4.1 Fit with Northamptonshire SEP and EU Priorities



The Development Process

Throughout the development of both Northamptonshire's SEP and ESIF we have built in strong links with a wide range of partners and stakeholders to ensure that our plans for Northamptonshire are truly shaped and owned by all our constituent partners across the public and private sectors.

To that extent the development of the plan has been led by a Steering Group comprising of elected members from across local government and the chairs of both the LEP and the Leadership Group which is a public sector group working strategically across Northamptonshire to ensure the delivery of aligned public services. This group has been supported by an officer led Task and Finish group with senior officer representatives from across all Local Authorities and other key partners such as the university and both Joint Planning Units led by NEP. This group has also had representation and input from the BIS local team, DCLG and DEFRA as appropriate.

The Task and Finish group has defined the focus of the strategy and identified the prioritisation process for the short-term deliverable programme included within this strategy. In addition to the working groups we have also held a number of specific consultation events on shaping the development of the ESIF and SEP including four strategy development events which formally endorsed the ESIF Strategy prior to its submission.

We have held separate events for wider partners across Northamptonshire as well as specific briefing events with a range of thematic groups and the private sector. This has included Voluntary Sector Fora, housing associations and developers and our Strategic Skills Board that includes FE, HE, SFA, JCP and LEA partners. This has been supplemented by individual discussions with key partners to ensure that there has been strong engagement and input from across the locality.

Partner engagement has helped to inform the priority setting process has identified the key areas affecting the realisation of our vision to grow the economy. For example, each of the consultation events consistently highlighted that skills is a key barrier to growing our economy. Equally, at the consultation events with the business community, the need for simplified business support and investment to unlock growth potential through programmes such as INV-ENT and RGF funding was highlighted. The high level infrastructure barriers were all identified by partners as a barrier to growth, throughout our consultation process.

Going forward it is our intention to maintain strong partner engagement as part of our revised governance arrangements which are detailed in Section 8. These arrangements include the formation of a specific European Programme Board, supported by an officer Delivery and Compliance Group to ensure that there is effective oversight of activity within the overlapping geography.

Acknowledgements

The Northamptonshire Enterprise Partnership would like to formally acknowledge the contribution of all partners in the development of this document, their input making a significant contribution to the draft.

There has been wide-spread consultation over recent months. Prior to the formal consultation draft circulated on 18th September 2013, two earlier drafts of the investment priorities were circulated for comment and two broader events with a range of stakeholders have been held. Thematic sounding board sessions were held on areas such as skills and employability issues alongside SME competitiveness within the county. Separate discussions have been held with voluntary and community partners and the North Northamptonshire Rural Action Partnership.

NEP has undertaken a number of broad stakeholder consultations and a number of specific consultative events. These include

- East Midlands Councils Consultation event for NEP and SEMLEP on 16th July for which the emerging priorities were discussed
- A workshop of the Local Economic Assessment for partners to provide input into the SWOT for the county
- Private sector stakeholder event on 19th September 2013 in Northampton

In addition there has been on-going consultation with different stakeholders including surrounding LEPs. Since the draft ESIF was submitted and feedback from partners and Government received, NEP has continued to talk to partners and seek input into the ESIF through strategic groups, face to face meetings with stakeholders, the development of the Strategic Economic Plan and a series of events that have focussed on the strategic priorities within both the ESIF and SEP.

Partner's comments and views have been taken on board throughout the whole process of development. Key decisions and activities that have been shaped by partners views include the following

- **Broadband infrastructure** – investment into infrastructure was considered at length within the consultation and discussions with partners in the county, especially the County Council who have responsibility for the implementation of the Broadband Strategy. Despite Broadband being a key barrier to growth with key areas of the county, partners considered the barriers and challenges posed by investing European Funding in broadband infrastructure and felt that it would be better to see the Northamptonshire allocation aligned to other priorities and achieve the broadband ambitions of the county through alternative and commercial routes.
- **Private sector consultation with High Energy Users and Environmental Business Groups** -facilitated by NEP influenced the programme activities in relation to revolving fund that would retrofit commercial properties

and support more efficient use of energy and other. Businesses within the NEP area expressed a desire to see a fund that is not associated with key energy providers and that could help to provide loan finance that would enable the companies to co-invest

- **Consultation with partners involved in developing the skills strategy** - and shaping the priorities for investment within the ESF element of the Northamptonshire allocation highlighted a number of key activities for consideration and inclusion including better brokerage between schools and businesses, the need to ensure clear progression paths for skills provision within key sectors and the need to address shortage of technical and intermediate skills in a number of key industries in Northamptonshire
- **Voluntary and community sector partners** – actively promoted the need to consider the investment of the Big Lottery within Northamptonshire. NEP responded positively and had several joint conversations with third sector partners, the University of Northampton and the Big Lottery which have shaped the proposal contained within this strategy
- **Broader consultation** - on the draft ESIF, prior to submission did not provide any challenge to the key investments of ERDF in thematic objectives 1-4. Whilst partners and the LEP would like to have invested in TO6, partners accepted the logic of the investment decisions and the principle of concentrating resources on those areas most likely to have an impact

Private Sector Role in Northamptonshire European Investment Plan

The private sector has and will play an important role in four main areas:

- **Delivery and Design** - private sector expertise has and will continue to be used as appropriate in delivery, especially in relation to financial instruments and in services to businesses such as consultancy support. Relevant sector SMEs and other firms are involved in the design of sector programmes in the county
- The European Investment team within NEP will also be conducting a series of out-reach exercises with SMEs to publicise and generate engagement in the next wave of EU sector programmes such as Horizon 2020, COSME and Erasmus +
- **Beneficiaries** - private sector SMEs linked to the county's key clusters will be the main beneficiaries of interventions highlighted within this document. The delivery of Strategic Regional Sites, employment sites and specific technology and innovation measures will also involve the private sector
- **Provision of Match Funding** - the private sector has an important role to play in the provision of (some) of the match funding for investment. Examples include financial instruments, sites and premises and supply chain work
- **Management and Governance** - An important principle of management and governance is that there is strong private sector representation as well as social and economic partners

Overlapping LEP and Pan LEP Co-operation

NEP has already developed strong co-operation with neighbouring LEPs. For example, a statement of co-operation and partnership is in place between SEMLEP and NEP. In practice, this will mean that both LEPs are working together on aspects of our functional economic areas that will benefit from the adoption of a collaborative approach.

NEP and SEMLEP will work together when commissioning activity across areas of overlap to ensure that where delivery of services takes place (particularly through opted activity) we avoid duplication of resources and confusion for the market place.

This co-operation has led most recently to NEP receiving additional funding to support the High Performance Technologies (HPT) sector locally. This will significantly boost and expand the existing £1.2million Northamptonshire HPT Investment Programme which is funded by previous rounds of the RGF. The successful bid reflects a partnership between NEP and South East Midlands Local Enterprise Partnership (SEMLEP) which will develop the HPT sector in Northamptonshire and the wider area. The programme aims to support the development of the HPT network which has been identified as a key cluster of industry activity in the county for future potential business and employment growth.

Under future programmes a new finance for business programme will be developed in partnership with SEMLEP, Leicester and Leicestershire, D2N2 and Greater Lincolnshire LEPs which could include:

- Loans to start-ups and existing SMEs
- Business advice to develop sustainable businesses, business growth and sustainable job creation
- Equity finance to promote saving for investment with a bank and access to incremental finance to help new businesses grow

Principles

The Northamptonshire's ESIF is founded on a number of core principles that will influence the types of actions developed and implemented. These are:

- **Partnership** – the Northamptonshire ESIF will be implemented through a partnership approach across the public and private sectors, community, educational and environmental interests
- **Additionality** – the Northamptonshire ESIF will ensure the effective use of Structural Funds by providing assistance where activities would not otherwise proceed or would do so on a smaller scale or at a later date
- **Management** - the Northamptonshire ESIF will be delivered in a transparent way and with the on-going involvement of a number of key stakeholders
- **Concentration** – the Northamptonshire ESIF will target resources on areas which produce the best value for money and the greatest impact
- **Subsidiarity** - planning, decision-making and interventions will take place at the most appropriate level based on the priorities. NEP is driven by a powerful private sector led Board of non-executive directors in partnership with the public and voluntary sector including leaders from the county council and representatives of the district and borough councils.

Drivers and Market Opportunities

There are a number of important market opportunities which are influencing how EU funds plan to be in. These include:

- **Growing global markets** - with the increasing purchasing power of the developing economies opening up new market in areas such as digital applications and healthcare, and a recovering Eurozone revitalising long established export and supply chain market. This reflects national and international research on global markets and economic growth which to build. This area strongly reflects EU and national policy on addressing the carbon challenge
- **Location** - taking advantage of Northamptonshire's location, the strategic motorway network, strong rail connections and international connectivity through a number of airports , and the ability to accommodate significant and varied investment in locations such as the Northamptonshire Enterprise Zone, Silverstone, Rockingham etc Northamptonshire is an attractive location for Foreign Direct Investment (providing regular opportunities) and domestic investment in both manufacturing and service activities, including logistics
- **Changing technologies** - which are allowing regions to capitalise on technical enterprise and their company bases to develop new areas of competitive advantage
- **Building on the exceptional SME base** - its breadth and depth, particularly with regard to advanced manufacturing

Barriers to Growth and Market Failures

For Northamptonshire as well as other areas within England there are a number of well documented challenges which need to be addressed in order to remove barriers to growth. Fundamental to this is the national economy emerging into a period of sustained economic growth. This will provide the impetus for companies in Northamptonshire to invest and develop growth plans in the coming years.

The duration of the economic slowdown has meant that many smaller businesses are not in a good position to take advantage of an improving national economy. Many companies have been forced to down size or cut back on activities such as training and marketing. Providing business with the confidence and support to invest in growth is an important objective for local partners.

The barriers to growth and market failures include:

- The uncertainty of outcomes, time and developments costs of **undertaking innovation and commercialisation**, a key strand in improving productivity, and already recognised as a significant market failure in current EU Programmes
- **Lack of information and knowledge** of university and other innovation and technical expertise to support product development and process improvements for many SMEs
- Limited resources and expertise available to SMEs to **develop growth and business improvement plans**, another key strand in improving productivity, and exacerbated by the recession and low levels of economic growth of recent years
- The uncertainty and perceived risk in **exporting**, particularly with regard to new markets, a key strand in maintaining manufacturing competitiveness and employment, and recognised by the work of UKTI
- Market failure with regard to **sustainable development objectives**, with a number of outputs and outcomes regarded as social goods, rather than commercial activities which the private sector could undertake, and other key objectives requiring Government support (which changes over time and is dependent on policy initiatives)
- **Company reluctance to undertake and/or support training**, including apprenticeships, often fearing that better trained personnel will leave, and evidenced regularly in company skills surveys
- **Skills shortages**, particularly for technical skills, with many employers reluctant to invest as successful trainees are likely to leave and many positions need experienced personnel
- **Careers of choice** for young people, where poor information, advice and guidance (IAG) leads to poor choices by the young person, reducing job opportunities, exacerbated by changes to the careers advisory system; youth unemployment is high

Rationale for EU Investment

In developing the Northamptonshire ESIF, partners have drawn on the policy framework at European, national and local level and the analysis of socio-economic conditions to identify the areas of focus (or drivers) which have shaped the development of this strategy.

The priorities for the Northamptonshire ESIF address the key challenges set out in the preceding strategic socio-economic analysis. The investment priorities have been influenced by the lessons learnt from programme approaches and project level interventions in the 2007-2013 programmes in the UK. The priorities and delivery approach have been developed to deliver high impact and to allow sufficient flexibility for the programme to respond to changes during its lifetime.

In order to ensure maximum engagement with the target groups and to provide value for money for EU interventions, business support activity funded through this programme will be required to demonstrate how it links and adds value to the activity of current funded business support programmes.

Thematic Focus and Logic Intervention

The European Commission and UK Government have stated that the 2014-2020 structural funds should be focussed on achieving Smart and Sustainable Growth. The European Commission are keen to ensure that funding is concentrated on those areas that will have the greatest impact and that there is not a “jam spreading” of resources

ERDF	Strategic Activities
TO1:Innovation	Northamptonshire Innovation Programme Local Impact Fund
TO2:ICT	Use of ICT for commercialisation in SMEs
TO3:SME Competitiveness	Growth Hub Enterprise Hub Access to Finance

TO4:Low Carbon	Energy Efficiency for SMEs
ESF	
TO8:Employment and Labour mobility	Return to Work Programme
TO9:Social Inclusion	Local Impact Fund CLLD Access to Employment
TO10Skills	Key Sector Skills Youth Support Programme

ERDF

Rules setting minimum investment criteria (80 per cent of ERDF in developed areas) mean that the Innovation, Information and Communication Technologies (ICT), the Competitiveness of Small and Medium-sized Enterprises (SMEs) and Low Carbon thematic objectives are self-selecting in terms of thematic investment areas. However, the evidence in the preceding chapters and the strategic imperatives that have emerged from the draft SEP focus on these four objectives for the majority of ERDF investment in Northamptonshire area is consistent with the main drivers of growth across the economy.

Northamptonshire as a developed area, has considered the guidance issues to LEPs that investment in Sustainable Transport should not form a part of the investment priorities for the LEP as this can be achieved through domestic funding programmes and after consultation with partners agreed that due to the limited resources available in our notional allocation this thematic priority should not be invested in through the ESIF and that the SEP would be the more appropriate vehicle to pursue resource for sustainable transport.

Northamptonshire partners acknowledge that our area is vulnerable to the effects of climate change. We also take very seriously the need to protect our valuable environmental assets and to promote the culture and practice of resource efficiency. After taking into account the evidence and the opportunities presented to us by this notional allocation in Northamptonshire we have elected to focus investment on the Low Carbon agenda rather than through the Climate Change and Environmental Protection objectives. We believe that the Low Carbon route enables us to derive environmental gains, deliver a more sustainable use of resources, deploy low carbon technologies and protect against climate change in a more integrated way, rather than investing relatively small amounts in a diverse range of objectives through the sustainable environment and climate change thematic priorities.

NEP and partners recognise that any investment proposed will need to demonstrate additionality and impact, and avoid duplication and displacement of other activities and domestic spending. Equally, our notional allocation does not enable us to invest in all the thematic objectives in a way that would maintain these principles and still ensure tangible results and outputs. Our intention is that, where we have not allocated funds towards a thematic objective, we would still expect social and environmental as well as economic aspects addressed at all stages of project development and delivery across the other themes.

In terms of financial allocations against TO1-4 consideration has been given to the following:

- Absorption capacity within the county in relation to the different interventions and overlapping LEP allocations
- Match funding considerations
- Demand levels from business and potential for quick delivery

ESF

In terms of European Social Funding, the main allocation is weighted to developing high level and intermediate skills within the key sectors due to the significance this plays in constraining the development of the business base, innovation and employment opportunities and the evidence that at every skill level Northamptonshire is behind the English average.

NEP is keen to ensure that ESIF funding has a legacy beyond the period of the programme and has therefore looked at a number of financial models that should result in sustainable investment from the different FIs.

EAFRD

The priorities identified within the Northamptonshire ESIF cover the whole area of Northamptonshire – 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. The allocation from EAFRD is small at £2.2 million and with the need to demonstrate impact, value for money and alignment with the ERDF and ESF allocations, NEP and partners have decided to focus the EAFRD allocations on two key areas:

- Support for micro and small and medium sized enterprises within the rural area
- Support for tourism activities

NEP has considered with partners the issue of broadband within the rural areas but has been advised that this funding could be difficult to invest in given review of State Aid, therefore a pragmatic view has been taken to invest within these key objectives within the rural areas of the North and South of Northamptonshire. Should the north of the county be successful in securing LEADER funding in the 2014- 2020 programme, the LEP with partners will consider the re-distribution of this limited pot to the rural areas of the county not covered by LEADER.

Priorities for Investment

The table below sets out how the Northampton's ESIF has been structured, over four Priorities.

Priority	Strategic Activities
Strengthening Innovation within the Northamptonshire Economy	Northamptonshire Innovation programme
Driving SME Competitiveness and Entrepreneurship	Growth Hub (including use of ICT for commercialisation in SMEs) Enterprise Hub Access to finance Energy Efficiency for SMEs
Sustainable and Equitable Growth	Local Impact Fund CLLD Access to Employment
Responsive and Adaptable Workforce	Key Sector Skills Youth support programme Return to work programme

Priority 1 is focused on developing new high growth companies in the county (SMEs in the targeted sectors which provide most of the GVA in the region) and the development of new products and processes to strengthen company competitiveness. It supports UK innovation policy and addresses market failure with regard to SMEs and barriers to invest in innovation development costs.

Priority 2 is focused on assisting SMEs across the county in all sectors that wish to grow in terms of turnover and employment through accessing and working with HEIs and the wider R&D/innovation/leadership base to develop and grow sustainably. There are a range of proposed activities (grants and FI) related to the provision of finance to SMEs set out across the action areas in Priorities 1 and 2.

There is also a separate action area for access to finance. NEP views access to finance as a tool to help affect change that can apply to different parts of the Northamptonshire Strategy. Many of the activities proposed are intended to develop financial instruments. Investing in FIs offers the potential to generate legacy funding beyond the life of this programme. The intention is that there should be a collaborative approach with a number of LEPs.

The clear emphasis in both Priority 1 and Priority 2 is on SMEs as they make up the predominant part of the county's business base. However, in order to achieve this, specific projects will need to engage and potentially fund activity by large firms due to the nature of business operational relationships. This could include support to businesses and supply chains' needs which are tailored to the complex inter-relationships which generate threats

and opportunities between larger firms and SMEs in their supply chains. NEP could envisage limited support to facilitate the involvement of SMEs in networks of innovative firms where these networks are an integral complementary action to support other European Structural and Investment funded activities. Accessing the R&D base of the county may also benefit from involvement of large firms which would provide access to R&D facilities, more resources, knowledge transfer and engagement of the supply chain.

Overall, NEP envisages that ERDF going to large firms (outside the SME definition) to be less than 10% but this will vary at project level depending on each project and will be monitored closely to ensure that new start-up and individual SMEs are not disadvantaged.

The Northamptonshire ESIF will respect without prejudice applicable EU State aid rules and will be delivered in accordance with fund-specific rules. In the case of assistance granted from the structural funds to a large enterprise, the Managing Authority undertakes to request an assurance from the enterprise concerned that the assistance will not be used in support of investment that concerns the relocation of its production or service facilities from another Member State of the European Union. All interventions in companies under these two Priorities will also comply with the European Union competition and public procurement rules.

Priority 3 concentrates on ensuring that resources are invested in developing social capital to improve quality of life, tackle deprivation, value diversity and social inclusion and recognise the social and environmental implications of economic growth. It will address the needs of those individuals furthest from the labour market.

Priority 4 will concentrate on improving the skills of potential and current workers to improve individual progression and business competitiveness and attracting more people into employment.

There will be other European funds available to the county in addition to the European Structural and Investment Funds. Although these cannot provide match funding, NEP will seek to exploit synergies between the European Structural and Investment Funds and the European sector funds. This is explained and linked to the priorities set out in our Northamptonshire ESIF.

Priority 1: Strengthening Innovation Within the Northamptonshire Economy

Actions under this priority area will provide support to raise SME competitiveness by improving the exploitation of Intellectual Property, accelerating the implementation of new processes and expanding the development of new products for market using new technologies and new leadership and management capabilities and approaches. It will focus on the introduction to and use of innovation, technology and ICT within SMEs to improve their productivity and future sustainability. The support will focus on:

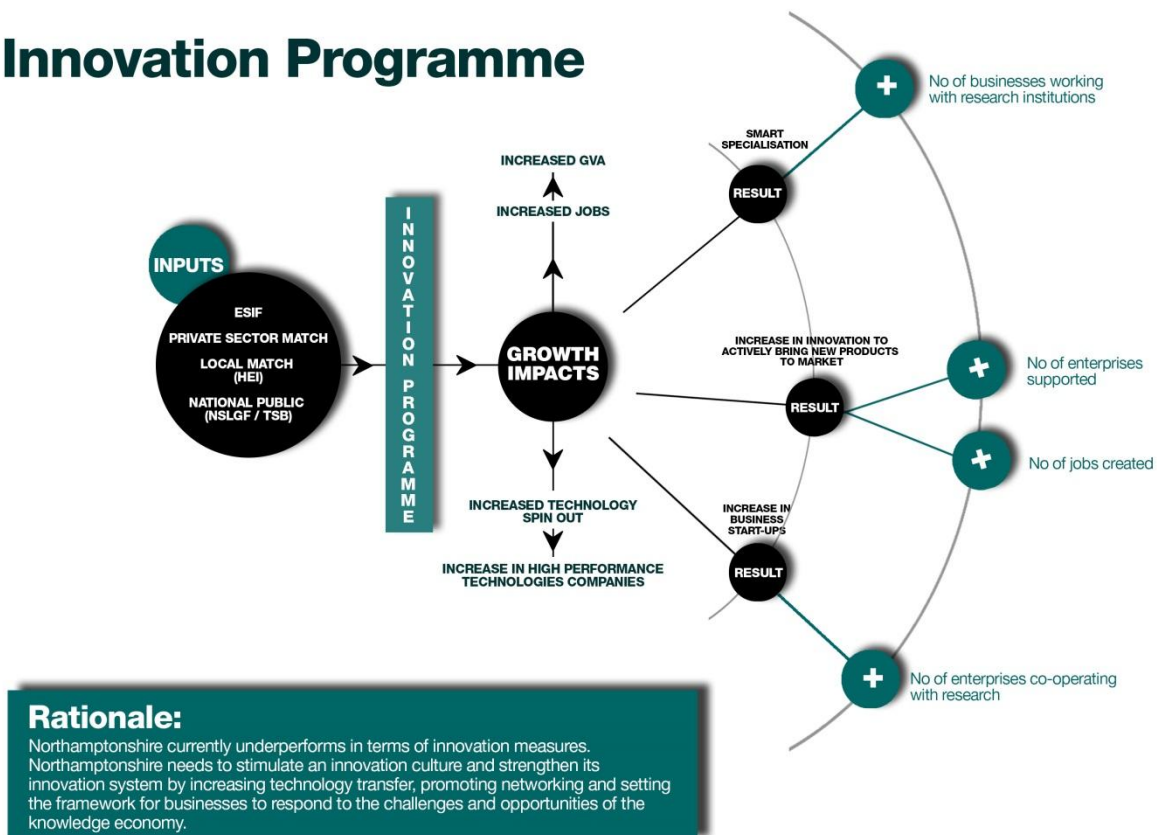
- Higher Value Priority Sectors (set out in Priority 2)
- Businesses in any eligible sector with growth potential, a competitive edge in the market and a commitment to new ways of working. Priority 1 is therefore focused on a broad swathe of SMEs in the county and on a range of innovation improvements in processes and products. Support for the use of ICT is included in this programme

The key aims and objectives are:

- Facilitating businesses to shift into higher value activities through increasing innovation and better use of IT with greater foresight and leadership and more effective exploitation of Intellectual Property
- Extending the market reach of businesses so they can improve their competitive edge outside of the county through better management, commitment to innovation and increased focus on international trade
- Improving access to the Pan LEP R&D base and Higher Education Institutions to ensure a strong supply of higher value commercially viable ideas leading to new products, new processes and new customers and markets

The diagram below sets out rationale and expected outcomes for this intervention.

Innovation Programme



Addressing Market Failure

The Northamptonshire economy is characterised by poor overall levels of innovation and ICT adoption, low levels of investment in R&D and a weak skills base for managing and leading change and innovation in our businesses. Tackling each of these fronts are critical objectives of this priority. From the economic analysis and SWOT (in section 2) it is clear that Northamptonshire needs to stimulate an innovation culture and strengthen its innovation system by increasing technology transfer, promoting networking and setting the framework for businesses to respond to the challenges and opportunities of the knowledge economy.

The challenge for the county is to give innovative businesses ready access to the available knowledge and to encourage more businesses onto the 'innovation ladder'. Targeted support is needed to increase the rate of knowledge and technology transfer and to promote business innovation and productivity growth. For this to happen, a more extensive and intensive relationship between companies and the available knowledge needs developing.

Northamptonshire has an opportunity to build on the work already underway within the county through the HPT sector support programme which has successfully attracted Regional Growth funding and ERDF funding. This priority will build on these success stories and seek to develop them even further.

The current Regional Growth Fund programmes represents a public sector response to a lack of available finance from the private sector. Whilst funding from the private sector remains unavailable or unaffordable there are limited alternative sources of funding in the short- to medium term to invest in the types of activities that would deliver growth within Northamptonshire. We would also wish to see this act as a stimulus

Intervention Logic

The UK's principal source of competitive advantage in global markets is innovation – of systems, processes, products, or services. In increasingly dynamic and international markets, continuous innovation is key to the maintenance of competitive advantage. The UK Government has sought to address low R&D investment intensity, obstacles in the translation of University science to commercial application, and weaknesses in the financial support of technological exploitation and commercialisation.

Innovation performance depends not only on how specific actors (e.g. enterprises, research institutes, universities) perform, but on how they interact with one another in an innovation system. Local stakeholders, seeking to derive prosperity from a competitive business-base, have sought to enhance the capacity and capability of their local innovation system – coordinating the production, transfer, and exploitation of knowledge through businesses, institutions, and communities.

The rationale for intervention within Northamptonshire centres on failures of coordination and information that typically stifle the development of productive relationships through value chains: particularly those between businesses, and between businesses and research institutions (i.e. universities).

Northamptonshire is home to the University of Northampton and is in close proximity to the universities of Cranfield, Oxford, Coventry and Warwick. There are a number of opportunities for the Northamptonshire economy in relation to innovation, including the potential to exploit smart specialisation in key sectors, and develop supply chain linkages based around innovation, drawing on the skills and expertise within the region's Universities. Northamptonshire has a number of assets on which to build this programme. There is a good network of innovation centres including the iCon at Daventry which was funded under the current ERDF Competitiveness programme.

A High Performance Technologies cluster comprises more than 1,000 companies employing over 21,000 people and contributing £2 billion to the local economy centred on Silverstone Circuit provides an opportunity to drive innovation within this sector and to further develop the application of new technologies in other sectors such as life sciences. Our ambition is to double the number of jobs in this sector and quadruple contribution to GVA.

For the past few years, NEP and its partners have been working to develop innovation, skills and competitiveness within the HPT sector. There is significant opportunity to exploit growth and to drive innovation within the supply chain with internationally renowned companies such as Cosworth.

The allocation for this Thematic Priority is £ 4 million, Northamptonshire track record in this area is weak and we need to develop the culture and networks amongst the SME base and this is the reason for the relatively modest allocation to this area of activity.

Strategic Programme

This priority will be taken forward through the Northamptonshire Innovation Programme.

Strategic Programmes	Thematic Objectives
Northamptonshire Innovation Programme	TO1:Innovation

The Strategic Programmes draw on a number of the Thematic Objectives as set out in the table above, with financial details set out in the accompanying spreadsheet.

Financial Programme

The financial programme for Innovation is set out below, with important contributions from the private and public sector.

Innovation in Northamptonshire (£ms)				
	ERDF	Public	Private	Total
Northamptonshire Innovation Programme	£4.0	£2.0	£2.0	£8.0
Total	£4.0	£2.0	£2.0	£8.0

Activities will be supported up to a maximum 50% intervention rate with match funding sources to including Research Councils, HEFCE, universities and further education providers; Technology Strategy Board (through an expected opt-in proposition); Private Sector; and Local Growth Fund allocations

Anticipated Outputs and Results

The innovation programme will provide support to a considerable number of SMEs, and develop both new to the firm and new to the market products. The outputs are set out below.

Innovation in Northamptonshire Outputs and Outcomes	
Outputs	No.
Number of enterprises supported	270
Number of new enterprise supported	153
Number of enterprises supported to introduce new to the market products	67
Number of enterprises supported to introduce new to the firm products	67
Jobs Created	286
Results	
Increase in SME productivity	TBC
Increase in SME jobs created	TBC
Increase in business start up	TBC

Northamptonshire Innovation Programme

This activity aligns closely with the Northamptonshire Growth Hub which is described in more detail under Priority 2. In essence, this programme will seek to provide a gateway service offering information access and brokerage arrangements to help SMEs access and be aware of R&D opportunities. It will work to support SMEs to define their needs and stimulate demand for R&D including working to incite greater commitment to investment in new product and process development and the provision of facilities to support such R&D transfer to SMEs.

The programme will seek to establish collaborative R&D initiatives between R&D institutions across different LEP areas and businesses developing new products and processes to improve business performance including facilities where necessary and the development of knowledge transfer mechanisms from business to business in order to harness non-HEI research expertise features that would also be a part of this innovation programme.

Specific activities would include:

- Support for **smart specialisation collaborative research** between enterprises, universities/research institutions, and public institutions across a pan LEP geography including:

- Initiatives stimulating and facilitating productive innovation partnerships between enterprises and research institutions.
- Initiatives specifically targeted to aid commercialisation of innovation in the sectors of competitive advantage.
- Support for the **commercialisation and enterprise** of new products and business processes, including:
 - Initiatives enhancing the demand for new or improved services,
 - Support for the involvement of SMEs in networks of innovative value chains and associated innovation partners.
 - Intensive diagnostic support to assist SMEs understand and articulate their innovation potential and requirements including entrepreneurial and leadership capabilities to support this
- Brokerage assistance to help businesses seeking innovation and ICT support to select appropriate providers
- Development of appropriate 'access to finance' and grant mechanisms for businesses to access financial support, advice and intelligence from qualified, accredited specialist providers to implement innovation, new processes and products in their operations
- Provision of innovation & ICT facilities and activities aimed at SMEs including development of leadership and management capacity to stimulate demand for innovation, technology and the efficient use of ICT in companies

Additionality

Northamptonshire still intends to deliver the INV-ENT programme which provides a business rate rebate to SMEs enabling match funds to be released to make investments in their development, growth and create new jobs. The existing RGF programmes which deliver support to SMEs and medium enterprises for research and innovation purposes will financially complete in March 2015. NEP through this activity and through the core work within the sectors in developing a pipeline of potential projects amongst companies that can drive innovation.

NEP would also continue to facilitate the HPT Sector Strategy group and provide some business support services. This reflects the fact that HPT is a strategic priority for NEP. As with the current RGF programme any ERDF funding would need to demonstrate additional activity through either additional SMEs engaged in the programme or through addressing key gaps in support to help SMEs drive innovation.

Strategic and Local Alignment

The activities under this programme have a strategic alignment with all of the priorities within the Northamptonshire ESIF. There is very close synergy with the Growth Hub, and with the Local Impact Fund and Key Sector Skills Programme, detailed under Priorities 3 and 4 respectively. This priority will also align to wider UK and EU initiatives and programmes.

Alignment with other programmes and national policy is outlined at in Annex of this document but in short this activity has alignment with the following:

- 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)
- TSB supported programmes where structural funds interventions aim to promote innovation and knowledge transfer. NEP will seek to achieve alignment with national priorities and maximise the benefits from collaboration
- INV-ENT is a local initiative based on support to SMEs which can demonstrate growth potential through innovation
- The current Regional Growth Fund and ERDF programme for the High Performance Technologies sector is due to finish in 2015 but will provide an invaluable foundation for the further development of this sector

Delivery Arrangements

Priority 1 aims to develop a pan LEP environment for innovation. NEP will seek to build on the work undertaken with other LEPs with the ultimate aim of increasing both public and private investment in R&D. It aims to stimulate an innovation culture and strengthen the innovation infrastructure. Seizing productivity gains means increasing knowledge and technology transfer from universities, institutes and businesses across a broad geographical area to the county's business base to improve products and processes.

This will be achieved through working with key partners such as Higher Education Institutes and Further Education Colleges, Research and Technology Organisations and Public Sector Research Establishments, the business community and associated bodies.

If possible, NEP would like to see a co-ordinated pan LEP driven approach to contracting that concentrates activity into a focussed and manageable suite of interventions, integrated with mainstream business support and innovation activities within this programme and amongst private sector providers of counter-part support. This will need further effort and NEP will seek to work with the surrounding LEPs of Oxfordshire, Coventry and Warwickshire, Buckinghamshire Thames Valley and South East Midlands, all of which have been part of a High Performance Technologies group over the past nine months.

Priority 2 - Driving SME Competitiveness and Entrepreneurship

Aims and Objectives

The Northamptonshire economy has returned to growth more quickly than the national economy. This reflects in part of the dynamism of the local economy based on SMEs and higher rates of start-ups and self-employment. The vast majority of companies in Northamptonshire are small SMEs, with more than three quarters of the enterprises in the area employing fewer than five people (there are only 95 employers in the county with more than 250 employees, just 0.4% of Northamptonshire's 25,300 enterprises).

Priority 2 aims to support entrepreneurship, business development and targeted inward investment and funds financial initiatives to help improve competitiveness and growth especially in high value sectors; and to improve energy efficiency. This demands that existing strengths in high value sectors are developed; new sustainable market opportunities are capitalised upon; new high growth businesses are encouraged especially in key high value markets.

There will be three key objectives under this priority:

1. To increase GVA and employment through the provision of tailored and highly targeted support to businesses and supply chains. This will involve supporting activity to increase their market share, extend their customer base beyond Northamptonshire (especially internationally) and strengthen their competitive position.

This will involve supporting activity to increase their market share, extend their customer base beyond the county (especially internationally) and strengthen their competitive position in the higher value aspects of the following significant sectors:

- Energy & Environmental Technologies
- High Performance Technologies: chemicals, automotive and advanced, composites
- Food & Drink
- Logistics
- Digital & Creative
- ICT
- Business & Professional Services.

2. To increase GVA and employment by developing new high value enterprises through the provision of a range of interventions for high value start-ups to establish and grow.

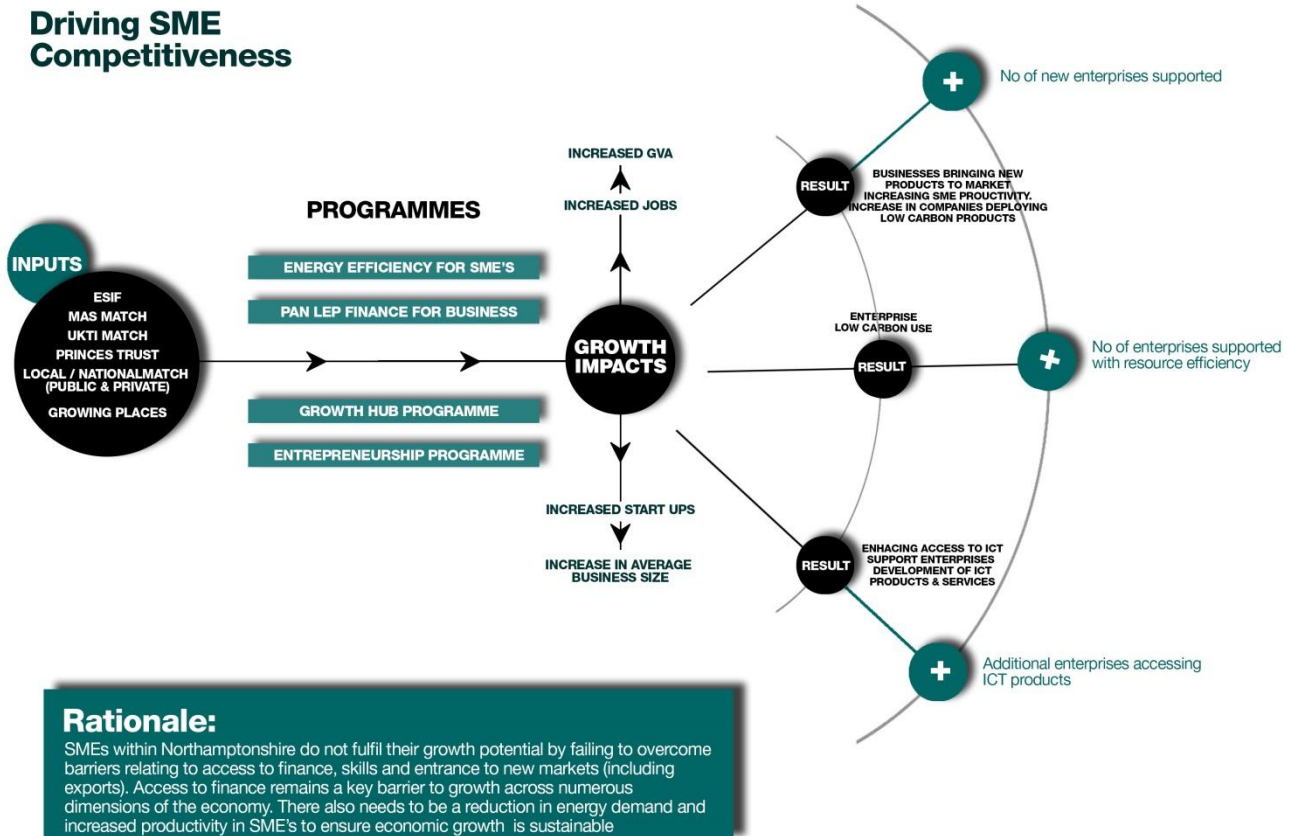
The emphasis will be on businesses which will generate GVA for the Northamptonshire economy. To that end priority will be placed on entrepreneurs (including those within key target groups such as women BME communities and people from areas of disadvantage within the county) and business plans which show a reasonable potential to:

- Employ people (e.g. generate staff base of 5 employees in the first 3 years of operation)
- Grow turnover (e.g. generate £0.5m of turnover in the first 3 years of operation)
- Attract customers and trade from outside the county and region (e.g. over half of their turnover is with customers outside the region)

3. To improve the energy efficiency of Northamptonshire's businesses

Priority 2 will focus on change in the make-up of the Northamptonshire's business base and aim to ensure the county has more businesses competing in higher value markets, and that businesses are exemplars of energy efficiency.

The diagram below sets out rationale and expected outcomes for this intervention.



Context: Market Failure and Opportunity

The evidence demonstrated that Northamptonshire business demography is dominated by SMEs and the survival rates of those SMEs fall significantly after the third year. The ability of SMEs to grow within the Northamptonshire economy is a critical issue. Programmes such as Growth Accelerator and Manufacturing Advisory service have the potential to support those SMEs with the potential for growth and innovation.

Over the last decade most sectors, despite the recession have grown in GVA terms and improved their productivity. Analysis highlights the large number of growing sectors within the Northamptonshire LEP economy, and the general improvement in productivity. However, compared to the economy nationally, levels of productivity have tended to decline over time. In the table below the local productivity has been expressed as percentage of the national.

Northamptonshire has a strong track record in relation to attracting inward investment enquiries and has made a firm commitment to attract more international investment and help businesses export. Building on its recent success in winning the Enterprising Britain Award for 'Encouraging Export', NEP works with local businesses to unlock overseas markets. Other activities to support export and inward investment include the county council's funding for a dedicated European Investment team based in Brussels and NEP appointing a network of agents to work closely with UKTI to source leads in North America, mainland Europe and India.

In terms of access to finance LEPs commissioned Mazars LLP to undertake market intelligence research to inform decision making about approaches to scale, collaboration, targeting and delivery mechanisms for a potential collaborative financial instruments. The research also considered the use of any legacy funding from financial products commissioned by the former East Midlands Development Agency. The research project is now complete and the final report can be downloaded from ([insert hyperlink](#)).

The report provides a high level evaluation of the need for a Financial Instrument in the area covered by East Midlands and South East Midlands LEPs. The report was based on a combination of:

- A survey of over 500 businesses across the East Midlands with at least 100 in each LEP area
- Interviews with 37 local stakeholders including banks and other financial institutions
- Analysis and implications of a potential revolving fund by in-house Mazars experts on funds, EU funds and access to finance for SMEs

The key results of the business survey are that:

- Approximately 26% of surveyed businesses consider Access to Finance as an impediment to growth, an estimated 56,800 businesses across the study area.
- Access to finance is one of a range of barriers to growth identified by SMEs in the East Midlands. Others include the wider economy, skills shortages, cashflow, and public sector regulation
- 20% of businesses in the East Midlands applied for financing in the past 5 years. This is a similar figure to national proportion.
- 63% of businesses seeking funding applied for £50,000 or below and 12% seeking funding of between £50,000 to £100,000.
- The main reasons for seeking financing were stated to be buying equipment (30%); working capital (26%); company expansion (20%).
- Of those firms seeking funding, 46% had not secured any of the funding sought – an estimated 17,000 firms.
- 19% of firms say they have one or more current stalled project or unmet business need, an estimated 37,000 firms. 60% of firms have not sought finance for their stalled project

Overall key conclusions of the report are 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
- There is evidence of latent growth potential that could be released through better access to finance for SMEs
- However there is a related need for better general business support and 'investor readiness'
- There is qualified support for an East Midlands 'fund of funds' from financial stakeholders;
- There is minor variation in terms of sector and business composition, suggesting that a regional revolving investment fund is feasible

In developing their approach, East Midlands LEPs have worked 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.

In terms of the low carbon agenda, Northamptonshire has made a strong commitment to reducing the greenhouse gas emissions from economic activity. The Stern review of climate change has reinforced the county's aspirations to decouple environmental degradation and resource consumption from economic growth in order to secure a competitive and dynamic knowledge based economy.

The Review pointed to the positive benefits of strong and early action on climate change both in terms of cost and future environmental outcomes. Evidence shows that ignoring climate change will eventually damage economic growth. Inaction over the coming decades could create risks of major disruption to economic and social activity which will be difficult or impossible to reverse. Tackling climate change is an integral part of any growth strategy and it can be done in a way that does not cap the aspirations for growth.

Other market failure issues with regard to environmental and energy efficiency issues relate to:

- Environmental costs, especially the total carbon footprint that are not included in the price of goods and services.
- Lack of awareness and understanding of costs and benefits of energy and resource efficiency amongst the business base.
- Risk aversion in the investment behaviour of businesses.
- Lack of capacity in the environmental services sector to support uptake.

Intervention Logic

The vast majority of companies in Northamptonshire are small SMEs, with more than three quarters of the enterprises in the area employing fewer than five people. Indeed, there are only 95 employers in the county with more than 250 employees, just 0.4% of Northamptonshire's 25,300 enterprises. Nationally SMEs account for 59.3% of employment, which locally would translate to 216,445 of total jobs.

With greater numbers of businesses operating in emerging higher value markets, the Northamptonshire business composition will evolve leading the economy to grow, become more durable in the face of evolving competitive pressures and have greater potential to absorb new opportunities from the innovation & knowledge agenda set out in Priority 1.

Information failures mean that SMEs locally are not aware of funding sources available to help them grow their businesses. Since the demise of Business Link local support had been fragmented. The Northamptonshire Growth Hub aims to provide a single point of contact that will provide better promotion and easier access to funds is essential in order to overcome barriers and maximise the impact of the many existing funding sources/financial instruments available.

Emphasis needs to be placed on sectors which have the strongest likelihood of growing and helping close the GVA gap. The UK and Northamptonshire economy needs to compete in higher value sectors where our skills and cost base give us the strongest competitive edge.

The Northamptonshire economy has been reliant on lower skill activities and has a low level of new business start-ups in growth markets. However, rates of self-employment have increased significantly over recent years - higher than the national average. The area has above average enterprise survival rates over a five-year period and supports a high level of employment in foreign owned businesses and can sustain retention, expansion and future targeted FDI.

As with other successful sub-regions of the UK and Europe, Northamptonshire SMEs base faces a number of serious challenges, with the globalisation in services and manufacturing providing an increasingly competitive trading environment for businesses, and for the competition to attract high quality investment. SMEs need to grow in size, become more resilient and move up the value chain to compete effectively. This imperative applies right across our SME business base. Micro businesses, many of which are family owned, and mid-market companies are crucial in terms of driving wealth creation and employment opportunities but face particular problems in improving competitiveness.

Despite many strengths, SMEs within Northamptonshire do not fulfil their growth potential affected by barriers relating to access to finance, skills and entrance to new markets (including exports). 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. Rural businesses (i.e. land-based businesses) have been difficult to reach via conventional business support services and were let down in the county under the Business Link support programme.

In terms of supporting entrepreneurship, uneven start-up and self-employment rates are evident across Northamptonshire. There are significant disparities across the county and in areas such as Corby, parts of Kettering, Wellingborough and Northampton where there are pockets of disadvantage, self-employment levels are not as high as other areas. Traditionally, people from disadvantaged areas or socially excluded backgrounds have found it more difficult, or have been less willing, to access business support to help them develop their business skills in order to create and/or sustain successful small businesses.

Although these groups of people often have the acumen and entrepreneurial spirit to succeed in business, their lack of opportunities and the environment in which they live, can prevent or limit start up and business activities. To have a real impact on increasing the levels of enterprise and nurturing enterprising individuals, activity needs to be focused and targeted at deprived communities and delivered at local, community level.

In addition, areas of low enterprise activity such as Corby are not seen as attractive areas in which to set up high growth businesses (either by local entrepreneurs or by those that need to be attracted to the area if current levels of deprivation are to be reduced). We must overcome a number of barriers that prevent people from accessing the support available and from maximising the potential benefit from their participation. These include geographical and social isolation; lack of confidence and an ability to set goals; and lack of computer and online skills.

Energy security and access to affordable energy is a key concern that has been raised as part of the consultations NEP has had with the private sector companies as part of the ESIF consultation and the idea has been generated by the High Energy User group which is facilitated by NEP. The suitability of premises within the County is a key issue (as identified in the Workspace assessment being undertaken for NEP). Investment in the retro fit of commercial properties as part of a revolving loan fund could also make some of the older buildings in the county more attractive for new tenants as energy usage and costs are reduced.

Consultation with the private sector has indicated that SMEs are finding it increasingly difficult to obtain upfront funding for modifications that save energy – even though some can payback in 1 – 2 years. Existing products on the market tie companies into using a specific energy provider and as such the SMEs are reluctant to take on this opportunity.

Strategic Programme

Three strategic programme activities are proposed under Priority 2:

Strategic Programmes	Thematic Objectives
Northamptonshire Growth Programme Hub	TO2:ICT
Targeted: Entrepreneurship Programme	TO3:SME Competitiveness
Finance for Business Programme	
Move Towards a Low Carbon Economy	TO4: Low Carbon
- Resource Efficiency	

The Strategic Programmes draw on a number of the Thematic Objectives as set out in the table above, with financial details set out in the accompanying spreadsheet.

Financial Programme

Significant ERDF resources have been allocated to this Programme, recognising the potential of local SMEs to contribute to economic and employment growth.

Northamptonshire SME Competitiveness				
	ERDF/EAFRD/ESF	Public	Private	Total
Growth Programme Hub	£7.26	£4.7	£2.5	£14.46
Targeted: Entrepreneurship Programme	£2.0	£2.0	£	£4.0
Finance for Business Programme	£4.0	£4.0	£	£8.0
Resource Efficiency	£4.62	£3.0	£1.62	£9.24
Total	£18.38	£14.2	£4.12	£36.7

Activities will be supported up to a maximum 50% intervention rate with match funding sources to include:

- UKTI opt in
- MAS opt in
- Growth accelerator opt
- Local Authority
- Princes Trust match
- HEI finance

All investments will be subject to a rigorous appraisal process to ensure additionality and value for money.

Opt-in Proposals

Northamptonshire has carefully considered the national opt-in offers in terms of fit with the Northamptonshire objectives. In principle opt-in commitments identified by Northamptonshire with regard to SME Competitiveness are outlined below.

SME Competitiveness Opt in Summary		
Opt in Proposal	Strategic /thematic Priority fit	£m
UKTI	SME Competitiveness – TO 3	1.0
Growth Accelerator	SME competitiveness – TO3	1.0
Manufacturing Advisory Service	SME Competitiveness – TO3	1.088

Anticipated Outputs and Results

The table below sets out the outputs which will be generated by this Priority, including a significant number of new companies.

Northamptonshire SME Competitiveness Outputs and Outcomes	
Outputs ¹	
Number of enterprises supported	814
Number of new enterprise supported	300
Number of enterprises supported to introduce new to the market products	122
Number of enterprises supported to introduce new to the firm products	66
Number of enterprises accessing ICT products and services	350
Increase in SME jobs created	568
No of enterprises resource efficiency	154
Results ¹	
Increase in SME productivity	TBC
Increase in business start up	TBC
Increase in new starts jobs created	TBC

Additionality

There are a number of national and local initiatives that already exist to support the development and growth of SMEs within Northamptonshire any new programmes or interventions that include ERDF support will need to demonstrate that the activity is delivering additional benefits to the county either in the form of additional targets as in the case of the MAS and Growth Accelerator opt ins or that they are addressing a gap in provision.

Strategic Programme: Northamptonshire Growth Hub

Since the demise of the Business Link approach in 2011, there has been a strong demand for intensive, co-ordinated and holistic business support within the county. NEP would like to see this executed through a countywide co-ordinated approach to support businesses within the key Northamptonshire sectors 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 Hub will operate as a point for cross referral and act as broker to national support such as TSB Knowledge Transfer Networks, UKTI, BIS sector teams and NESTA and Sector Skills Councils and other local support programmes and services including Manufacturing Advisory Service, GrowthAccelerator and UKTI which are to be funded out of the ERDF allocation.

Anticipated activities would include:

- Enhanced Growth Accelerator programme that would be tailored to local need
- UKTI support which would include ERDF funded additional business engagement, export taster sessions and export readiness support and a mix of business engagement and outreach activity, early stage export readiness support, sector specialist support, additional events and networking activity, grant funding and a full time International Co-ordinator role
- Enhanced Manufacturing Advisory Service
- Supply-chain development: assisting groups of businesses to understand future market trends, exploit emerging opportunities and implementing sector standards
- Financial support for the Superfast Business initiative in early 2014 to encourage SMEs to take up the opportunities and exploitation for commercialisation of ICT
- Potential grants or loans to either public or private sector partners wanting to create new employment space in new or existing facilities within the county to support the development of high quality sites, growth accommodation
- Networking: supporting collaboration between businesses with mutual interests or complementary expertise
- Human capital investments relevant for the identified targeted sectors especially related to leadership and specialist technical skills focused directly on increases in productivity in SMEs within the targeted sectors through flexible 'bite-sized' opportunities

Northamptonshire Enterprise Hubs

Building on what already exists within Northamptonshire, this programme will expand the reach of the Enterprise Hub support to cover the whole county. The offer is the provision of tailored business support (including pre-start-up and start-up programmes) to stimulate the creation of new businesses, including knowledge based businesses.

Activities undertaken through the European programme would aim to tackle barriers to engagement by working in communities to deliver:

- Individual coaching and goal setting sessions. These sessions will help customers to overcome personal barriers, visualise their ambitions and identify the actions they need to take to achieve them
- Group training sessions to encourage ideas development and establish peer to peer networks of support
- "Get online" sessions focussing on tools for business (from HMRC requirements, book-keeping to social media)
- Development of an interactive, online platform to support customers to develop their business ideas and receive tips and feedback to maintain their momentum and motivation

Strategic Programme: Targeted: Entrepreneurship Programme

This programme will expand the reach of Enterprise Hub support to cover the whole of Northamptonshire. The offer is the provision of tailored business support (including pre-start-up and start-up programmes) to stimulate the creation of new businesses, including knowledge based businesses.

The key objective is to foster a more entrepreneurial culture across Northamptonshire by reducing barriers to entrepreneurship and supporting entrepreneurs and to boost levels of business formation and survival in our rural and urban areas.

Activities undertaken through the European programme would aim to tackle barriers to engagement to deliver:

- Individual coaching and goal setting sessions. These sessions will help customers to overcome personal barriers, visualise their ambitions and identify the actions they need to take to achieve them
- Group training sessions to encourage ideas development and establish peer to peer networks of support
- “Get online” sessions focussing on tools for business (from HMRC requirements, book-keeping to social media)
- Development of an interactive, online platform to support customers to develop their business ideas and receive tips and feedback to maintain their momentum and motivation

Targeted intervention

The primary focus of the project will be to develop new high value enterprise, under this focus we would support a range of interventions to support high value start-ups to establish and grow. The emphasis is on businesses which will generate GVA for the Northamptonshire economy. To that end priority should be placed on entrepreneurs (including those within key target groups such as women BME communities and people from areas of disadvantage within the county) and business plans which show a reasonable potential to:

- Employ people (e.g. generate staff base of 5 employees in the first 3 years of operation)
- Grow turnover (e.g. generate £0.5M of turnover in the first 3 years of operation⁴⁴)

Strategic Programme: Finance for Business Programme

Under this Priority, NEP will seek to establish a pan LEP access to finance programme with D2N2, Lincolnshire, Leicestershire and SEMLEP which will 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.

East Midlands LEP Chairs and senior officers met on 29th November 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 potential interventions to improve access to finance for SMEs in the East Midlands, including potentially an East Midlands ‘JEREMIE’ model
- identify sums of funding in SIFs to support enhanced access to finance for SMEs
- 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 further development work and any potential establishment costs

The exact nature of any collaborative intervention, and whether East Midlands LEPs will seek match funding from the European Investment Bank, will depend on the outcome of more detailed investigations and development work to meet the requirements of the ‘ex ante appraisal process required for using European structural and investment funds for financial instruments. The detailed investigations will particularly focus on more targeted market assessment, intervention modelling, viability testing and development of effective models of governance and routes to market and testing the comparative merits of alternative approaches. Intervention modelling and viability testing will include an assessment of potentially working with one or more other regions.

Until any funding contributions are confirmed, East Midlands LEPs have provisionally identified sums of ERDF to promote SMEs access to finance or have ensured that they have sufficient capacity in their SME Competitiveness to support a collaborative approach.

Indicative Programme Activities

Support that could be provided as part of the offer could include:

- Finance readiness and business support to create finance ready and sustainable businesses leading to successful start-ups, business growth and sustainable job creation
- Loan finance to viable but un-bankable start-ups and micro-enterprise

Northamptonshire LEP is working collaboratively with other Local Enterprise Partnerships in the East Midlands to develop the availability of a portfolio of access to finance products to support SMEs to invest and grow. At this stage Northamptonshire Enterprise Partnership is committed to a £ 4 million allocation. Should after further investigation the LEPs decide not to pursue this fund Northamptonshire is confident that this could be absorbed into other activities under SME competitiveness. 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
- Full consideration of alternative approaches to meeting need and achieving the desired outcomes

If, after further investigation, East Midlands LEPs decide to collaborate to create an East Midlands JEREMIE and draw down a loan from the European Investment Bank, the LEPs will identify sufficient funding to make the JEREMIE viable and effective. East Midlands LEPs will continue to work with the British Business Bank to further investigate market intervention and match funding modelling. 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.

Strategic Programme: Energy Efficiency for SMEs

Consultation with the private sector has indicated that SMEs are finding it increasingly difficult to obtain upfront funding for modifications that save energy – even though some can payback in 1 – 2 years. Existing products on the market tie companies into using a specific energy provider and as such the SMEs are reluctant to take on this opportunity. Therefore this programme will focus on:

- Energy efficiency in enterprises including industrial processes, designing out waste, recovery of 'waste' heat energy and CHP.
- Helping SMEs to move to renewable and low carbon fuels to generate heat and power.
- Building retrofit and energy efficiency, especially whole building solutions exemplifying next phase.
- Technologies which may be delivered through a Low Carbon and Energy Revolving Fund.
- Adoption of domestic energy efficiency and low carbon construction techniques.

Strategic Alignment

Programme activity proposed under Priority 2 is closely aligned to Priority 1 in terms of encouraging businesses in high value sectors to be more innovative and to accelerate the development, innovation, adoption and deployment of low carbon technologies and related supply chains/ infrastructure; to Priority 3 with support to LEPs businesses across all sectors to operate in a more resource efficient manner and to encourage the growth of Social Enterprises; and to Priority 4 through the development of entrepreneurship and self-employment as a route out of worklessness; skills/employment for retrofitting and low carbon heating, encouraging transferability of skills across sectors (e.g. motorsport and renewable technologies), sustainable land management skills, support for those without jobs and labour market entrants to gain accredited low carbon skills/employment..

This priority will also 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%. The UK Government has set out a comprehensive suite of policies to achieve the above targets e.g. Climate Change Act, Carbon Plan.

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

- EU2020 priorities to take advantage of the digital society, support entrepreneurship, encourage exports and improve access to finance
- 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

Delivery Arrangements

The services would be commissioned either directly through the opt in or through calls for proposals which will be co-ordinated through the European Programme Board. Working with partners, the European Board will not encourage a process of service and product proliferation. A set of principles will inform delivery which will be:

- Accredited providers working to establish high quality standards of diagnostics and delivery
- Clear and specific eligibility criteria which focuses support on target business
- All business support will comply with European competition and procurement law

There are a number of activities under the SME competitiveness programme which form part of the opt in arrangements. Under current proposals any JEREMIE type fund would be commissioned in collaboration with other LEPs in the East Midlands Area.

Other activities which lie outside of these arrangements relate to the take up of ICT from businesses for commercial use and NEP are convinced of the demand that exists in the county for the successful take up of this activity. This is partly due to the current activities of NEP and the take up experienced through similar programmes funded under the current 2007-2013 ERDF Competitiveness programme.

Demand for support for starting a business is also strong and is well evidenced through the current support offered both through NEP start up programme and through the support offered by other providers such as the University of Northampton and Princes Trust. The provision of support across the County is varied and some areas have limited access to start up support and advice. This service would be targeted in those areas where existing programmes funded through current ERDF investment in areas such as Corby are due to finish early in 2015 and in those areas of the county where entrepreneurial rates are low and there is limited support available.

Priority 3 - Sustainable and Equitable Growth

At the heart of the Northamptonshire Growth strategy is the concept of creating the conditions for sustainable growth which underpins the other major drivers for growth. The diversity of Northamptonshire's people, communities and environment is a key economic asset and must be protected.

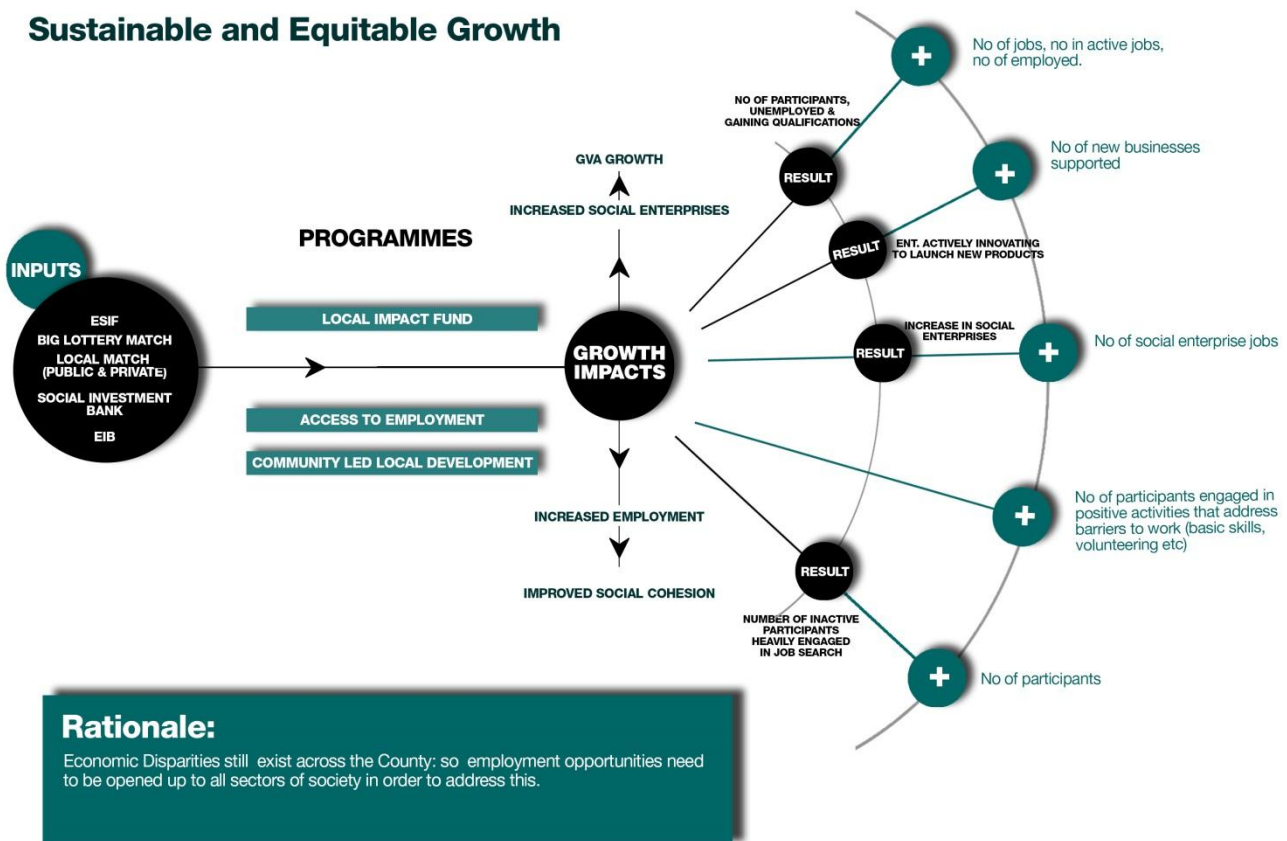
In growing the Northamptonshire economy, resources need to be invested in the social capital to improve quality of life, tackle deprivation, value diversity and social inclusion, recognise the social and environmental implications of economic growth and help those furthest from the labour market.

Within this priority area there are two key strategic actions:

Action 1: Addressing Social and Economic Inclusion

Action 2: Access to Employment

The diagram below sets out rationale and expected outcomes for this intervention.



This Priority addresses important matters and will have a considerable impact on small businesses, communities and those facing challenges in engaging in the mainstream economy. As such it will help to assist some of the more vulnerable members of the community.

Context and Market Failure

Disparities in Access

This action of the Northamptonshire ESIF recognises the disparities in economic activity and employment rates spatially and links activities to stimulate the growth of the economic base with disadvantaged communities. If the creation of employment opportunities in these areas is to have an impact on local communities, there is a need for proactive job brokerage and related support to help people gain and retain work.

A number of areas within the county such as Northampton and South Northamptonshire have performed strongly in recent years and now have relatively strong economies with good prospects for growth. However, despite strong employment growth, these areas are often in close proximity to, or include, communities which continue to experience high worklessness and difficulties in accessing the opportunities being created.

Other areas within the county have particular opportunities on which to build including the development of a critical mass of businesses often linked to specific assets or existing sector concentrations.

In deprived areas (including those in rural areas) the barriers are more cultural and psychological. There are particular issues over the mindset of people in areas where worklessness is of high levels and in households with intergenerational worklessness.

Access to employment, including pathways to employment which will vary in duration and the level of support needed depending on the needs of the individual, is recognised to be the primary route to achieving this.

Tackling Poverty Hotspots There is a need to raise awareness of local poverty and the associated issues. Data published by End Child Poverty in February 2013 shows that 20 928 children across the 6 districts (SNC has below 5% so figures not published) Local Authority areas lived in poverty during 2012. The issue is concentrated in the areas of Northampton and Corby, where 18% of children are in poverty. Across the remaining Local Authority areas, the equivalent figures range less than 5% in South Northamptonshire to 16% in Wellingborough%.

Working with Troubled Families in a holistic and integrated way can generate multiple benefits including supporting adults to access/return to work, reducing benefit dependency and social benefits such as reduced anti-social behaviour and supporting children back into education.

Overcoming Barriers to Employment : In May 2013 21 850 individuals were claiming Employment Support Allowance/Incapacity Benefit and Severe Disability Allowance and are likely to face significant barriers to employment. Some groups require intensive support to help them to first access and then retain work. The characteristics of people in this group are diverse but include older people, lone parents and ex-offenders facing both personal barriers to work and wider discrimination in the labour market. Tackling barriers alone can seem daunting with support needed to help people move towards employment.

Demand for support is likely to increase as the transition from Incapacity Benefits (IB) to Employment and Support Allowance continues. As existing IB claimants are reassessed, there will be a number of people who are not deemed to have sufficiently serious health problems or disabilities to receive unconditional support and will be placed into work related activity groups to help prepare for this transition. There will however be cases, especially with regards to those who have been receiving IB for a number of years, where additional support

Strategic Programme

Three strategic programme activities are proposed under Priority 2:

Strategic Programmes	Thematic Objectives
Addressing Social and Economic Inclusion	
<ul style="list-style-type: none"> Local Impact Fund Community Led Local Development 	TO 9 Social Inclusion TO8 Employment and Labour Mobility
Access to Employment Programme	

The Strategic Programmes draw on a number of the Thematic Objectives as set out in the table above, with financial details set out in the accompanying spreadsheet.

Financial Programme

Both ESF and ERDF resources have been allocated to this Programme.

Northamptonshire Creating the Conditions for Sustainable and Equitable Growth				
	ERDF/ESF/EAFRD	Public	Private	Total
Local Impact Fund	£4.0	£3.0	£1.0	£8.0
Community Led Local Development	£1.0	£0.5	£0.5	£2.0
Access to Employment Programme	£4.026	£2.8	£1.22	£8.046
Total	£9.526	£6.3	£2.72	£18.046

Match for the revolving fund for SMEs would be expected to come from the private sector and NEP would look to allocate some of the repaid capital from the current Growing Places initiative.

Early stage conversations with the Big Lottery have suggested that it could align its offer of match funding for TO9 social inclusion to provide match to an allocation from the LEP that would provide grants to social organisations which have aspirations to grow and look to the LIF for future investment. NEP and the Big Lottery would agree with local partners the priorities on which any LIF prospectus which would be based. The loan capital element of the LIF will be met by drawing in funding from the ERDF which will be matched by investment from the Social Investment Bank and potentially from local partners should the pilot prove a success.

All investments will be subject to a rigorous appraisal process to ensure additionality and value for money.

Anticipated Outputs and Results

The table below sets out the outputs which will be generated by this Priority, including a significant number of.

Northamptonshire Sustainable and Equitable Growth Outputs and Results	
ERDF/EAFRD Outputs ¹	
Site Development (in hectares)	2
New Enterprises supported	60
No of Jobs Created	120
No of New Enterprises entering New Markets	40
Results	
Start Ups	TBC
SME Jobs	TBC
SME competitiveness	TBC
Economic Development through Infrastructure	TBC
ESF Outputs ¹	
No of Participants	4220
No of Inactive	2285
No of Unemployed	1785
Results	
No of Positive Outcomes	TBC
No of Jobs	TBC

Local Impact Fund

For the 2014-2020 period LIFs are being promoted by the Social Investment Business Group, who expect to establish circa 15 funds across England which collectively will secure £75m ERDF. This will be matched by £75m from a mix of Big Society Capital and equity investors. In Northamptonshire case we are proposing a greater mix of grant to these organisations that will be matched by the Big Lottery and a smaller loan level of £1 Million ERDF.

Two pilot LIF projects are being established. In the case of Liverpool this is utilising the current ERDF programme. Northamptonshire's pilot is expected to commence early 2014 and help inform development of the LIF in the 2014 -2020 programme. The Northamptonshire pilot is being invested in through Northamptonshire County Council, Northampton Borough Council and the University of Northampton, priorities are in the process of being finalised.

The University of Northampton has assembled an evidence base to show demand for the project which includes information on the number of social enterprises/charities, the number with growth potential, and the number which are seeking investment to support growth. A summary of the evidence report can be found In annex 7 of this submission.

The pilot LIF projects will also help to prove demand and also tease out latent and hidden demand for what is a more innovative approach in Northamptonshire to engaging third sector organisations in the delivery of projects and programmes that will deliver both social and economic return

The objectives for the fund are:

- Maximise economic impact of the fund by investing in social enterprises that are capable of creating/safeguarding jobs
- Maximise social impact by making investments in good quality organisations that aim to achieve a positive and profound change in their communities
- Sustainability for the fund with the aim of ensuring that we can continue to make new good quality investments in organisations that deliver economic and social impact

Investments will be considered against three criteria – economic benefit, social benefit, financial benefit - and SIB will work with local organisations to identify social enterprises with realistic and viable expansion plans. Loans will be mainly to existing social enterprises – and not small scale new start-ups – but it might be possible to fund significant new spinout operations from NHS/ LAs or similar that might arise from social innovation activities.

LIF loans will typically be for a 3 to 5 year period with the maximum loan amount capped at £250k. The average loan is expected to be circa £90k - £100k at an interest rate of between 6% and 12%. These assumptions will be tested through the two small scale pilot LIFs. ERDF and match funding is invested by ERDF and match funding investors on a pari-passu basis meaning that at least 50% of all returns will be ring-fenced for future investment .

As with any access to finance type funds, the success of LIF will be significantly enhanced by effective wrap around support and informed referrals from other intermediaries / social enterprise support organisations.

Projected outcomes and benefits will be verified and tested through the pilot LIF project and informed by significant national research which SIB have undertaken, but current assumptions are that each £1m ERDF will support creation of 120 jobs and £20m additional turnover.

The LIF will offer support for investment readiness to support social enterprises and the social economy. There will be a grant and loans mix on offer through the LIF.

Community Led Local Development

The proposal from Northamptonshire Enterprise Partnership is to provide a £1 million allocation to the North Northamptonshire LAG. The rationale for this is clear. NNRAP LAG have already demonstrated a clear track record of delivery against economic objectives and have managed to build a strong partnership of public, private and public sector partners in order to deliver a £1.4 million pond programme of investment.

The EAFRD allocation for the Northamptonshire area is small and the current proposal is to focus on the issues associated with Tourism development and micro business support. NEP and partners have considered how else additional funding could be utilised should NNRAP be successful in securing funding from the new programme and have identified issues and needs which could be addressed through this approach.

Alignment with any future Local Development Strategy of the Local Action Group would be critical and it is important to ensure that there is no potential overlap with activities that are capable of being funded through any potential LEADER allocation. The minimum level of investment in any LAG in the future is expected to be a £1

million and if successful in bidding for LEADER this would mean that the NNRAP allocation would stand at a minimum of £2million.

Through transition funding the LDS is in the process of being developed for the next round of competition for LEADER. It is likely that the LDS will continue to support micro business and tourism activities as well as ensuring the linkages exist between the agricultural sector and the wider food and drink sector within the county. Key areas for investment in terms of the additional ring fenced allocation from the LEP would include investment in Green infrastructure that complement the tourism offer within North Northamptonshire, addressing some of the broader issues in relation dynamic and inclusive rural economy with fair access to services and basic amenities.

There is a real opportunity for economic growth through the Destination River Nene initiative and there is a need to ensure that the appropriate infrastructure is in place to support the future economic potential of the area.

Having a canal and river in a Local Enterprise Area provides a catalyst for sustainable economic growth by providing waterside locations that support inward investment and new innovative businesses. The advantage these sites have over others is that they are attractive places where people choose to work, live and play. By playing to the strengths of waterside areas, the intention is to build new economic drivers which support a resource efficient, low carbon, climate resilient economy. By utilising existing urban and rural canal and riverside sites and working with the Canal & River Trust, the organisation that owns and cares for most of the nation's inland waterways, the aim will be to exploit the connectivity and accessibility of the waterway network and to revitalise local economies. Of particular focus will be to strengthen and develop links with European programmes which support jobs and skills, training and growth. By emphasising green mobility and health for growth, the canals and rivers in our Enterprise Area will support and develop a more advanced, sustainable workforce

If North Northamptonshire is successful in the application for LEADER NEP would review the EAFRD allocation to focus on the areas of South Northamptonshire and Daventry. If the LEADER application is unsuccessful NEP would like to see this approach continued within the North Northamptonshire area of the county.

Access to Employment Programme

Activities under this programme will assist those who are economically inactive to access employment opportunities and link areas of regeneration need to economic opportunities, both in peripheral parts of the county and disadvantaged communities which are located in close proximity to areas of strong employment growth. It also aims to address some of the complex barriers that prevent individuals from taking up employment opportunities.

A particular emphasis will be placed on integration with initiatives and activity to ensure that economic benefits and employment opportunities are deployed to reduce economic and social disparities in deprived areas. Linkages to Return to Work programme will need to be especially strong as this will deliver employment access, advice, guidance, and training related activities at Basic Skills, Level 1 and 2.

The focus of activities under this programme will be on tackling barriers to work in a holistic and integrated way including through supporting early action before problems become entrenched, outreach activities and access to locally provided services. This may include addressing issues such as caring responsibilities, debt and money management, digital inclusion, reducing drug and alcohol dependency, educational attainment (particularly lack of basic literacy and numeracy and English for speakers of other languages skills), family, parenting and relationship intervention, access to flexible and affordable childcare, health problems (including mental health), homelessness, learning difficulties and disabilities, life skills, offending and access to transport

Community grants which enable small voluntary and community organisations to reach out to some of the most disadvantaged and excluded people will be deployed. The grants have a local focus and seek to move people closer to the labour market. They support a wide range of activities including:

High priority groups will include:

- Support for vulnerable groups and individuals over the age of 19 who may live in priority areas (to be defined after additional analysis with Job Centre plus). Activities should be targeted those individuals (not on work programme) at disabled people, lone parents, homeless people, ex-offenders, people with mental health issues or drug dependency issues for which there is considered to be insufficient coverage of the mainstream Job Centre Plus funded schemes to support people into employment
- Drugs and Alcohol support: Additional work is required to identify the targeting of this support but there is currently a shortage of support for those individuals wishing to return to work in parts of the county
- ESOL: Support is currently being considered in light of the changes in regulations that come into force in April that will require benefit claimants to acquire spoken English to level 2. This will be considered carefully with the Skills Funding Agency

- Troubled Families- support current work under the troubled families programme has identified there are 1200 families in trouble within the county and we would wish to build on the work that this programme has undertaken in providing support for

Support will help people find work such as CV writing, job preparation, timekeeping, problem solving; tackle family issues - support for parenting, role models, support for needs children may have, working with schools; social and economic issues - debt management, money management, how to look for work and address health and housing issues - alcohol or drug abuse, working with health agencies, issues around accommodation

Support will help those who are in work to stay in work and progress, Identify suitable employment opportunities and help people get into work and help to move people into employment support or other similar support initial help with basic skills; taster work experience including voluntary work; training, advice and counselling; and confidence building

Strategic Alignment

A Local Impact Fund supports the investment priority of 'Promoting the Social Economy and Social Enterprises' under the Social Inclusion & Combating Poverty Thematic Objective.

However, multiple outcomes can be expected to be achieved in other thematic objectives including:

- Innovation – supporting new public service delivery models; link to Priority 1
- Skills – supporting social firms to acquire business skills and investment readiness support; link to Priority 4
- SME Competitiveness – by supporting new start-ups, growing existing social sector Organisations and business and investment support; link to Priority 2
- Low Carbon – by supporting social sector organisations working in renewable energy sector
- Employment – by supporting the most socially excluded people into employment; link to Priority 4

The community led local development approach in North Northamptonshire would align with Priority 2 that will provide support for start-up and support the growth of new businesses. It aligns with activities supported under Priority 3 which aim to increase access to employment and Priority 4 through promotion of traineeships and apprenticeships.

Delivery Arrangements

The activity would be commissioned and will be co-ordinated through the European Board, working with partners. The European Board will not encourage a process of service and product proliferation. A set of principles will inform delivery which will be:

- Accredited providers working to established and high quality standards of diagnostics and delivery
- Co-design of the commissioning framework with the Big Lottery and other match funding bodies such as Social Investment Bank or Big Society Capital

The other services would be commissioned and will be co-ordinated through the Growth Implementation Board, working with partners. The GIB will not encourage a process of service and product proliferation.

A set of principles will inform delivery: accredited providers working to established and high quality standards of diagnostics and delivery; clear and specific eligibility criteria which focuses support on target business; and all business support will comply with European competition and procurement law

Priority 4: Responsive and Adaptable Workforce

Northamptonshire had a population of 700,600, of which 452,264 (60.7%) were of working age. Of the working age population, 325,327²¹ (76.5%) were employed – a higher proportion than the national average. A further 30,619 (7.2%) were unemployed, and 74,421 (17.5%) were classed as non-working, or economically inactive

Priority 4 aims to support more people into employment, especially disadvantaged groups and the economically inactive as well as improving the skills of potential and current workers to improve individual progression and business competitiveness. This focus is reflected in two key priority areas:

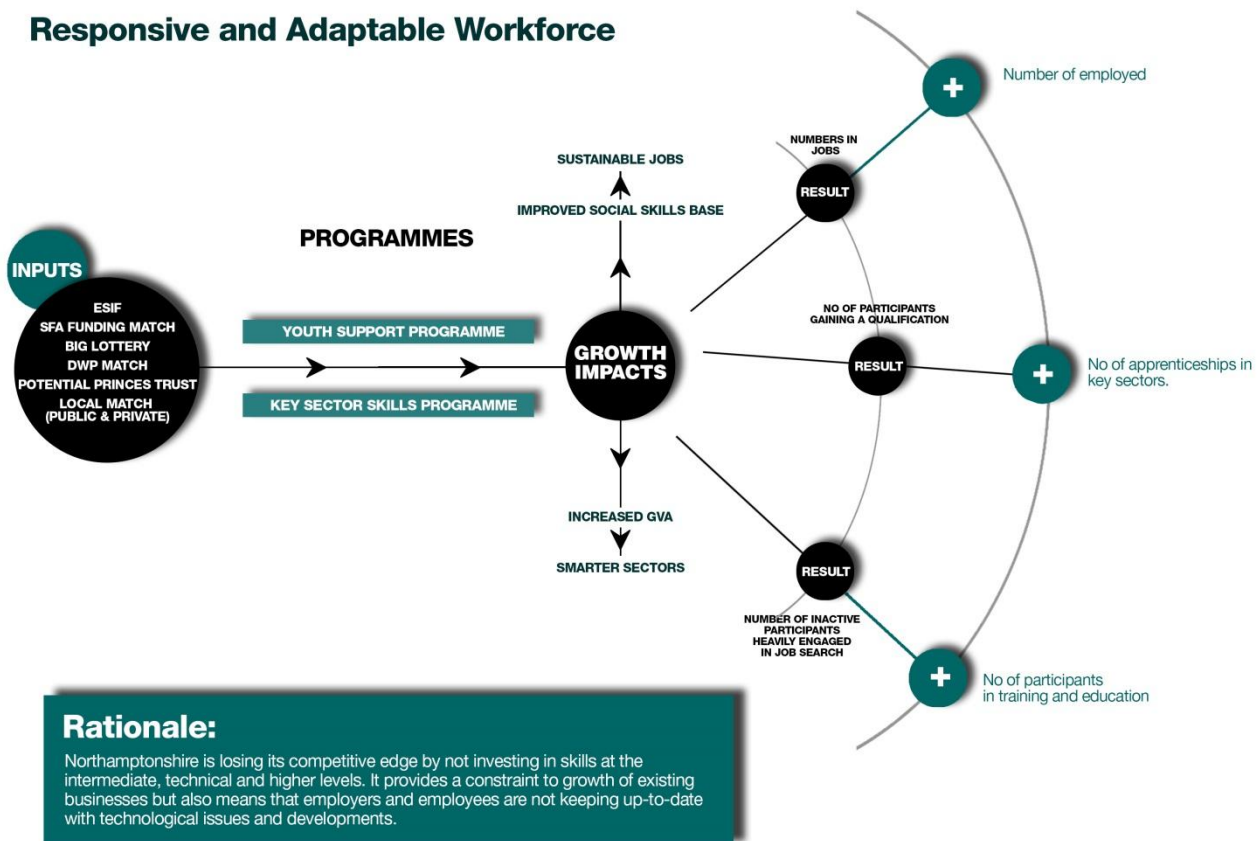
- Developing a skilled and adaptable workforce
- Extending employment opportunities

The majority of activities funded under this priority area will be ESF provision that helps to develop a skilled and adaptable workforce in Northamptonshire especially amongst the target sectors: that helps unemployed people re-enter the labour market; that supports individuals with low skills in employment; that engages with the hardest to reach individuals.

ESF will support young people aged 15-19 who are not in education, employment or training (NEET) and those at risk of becoming so. They will likely be those who face multiple barriers to their participation and need a different type of offer or post-provision support to engage them in learning and keep them engaged.

The diagram below sets out rationale and expected outcomes for this intervention.

Responsive and Adaptable Workforce



Labour Market Context and Market Failure

Workforce Challenges

The UKCES survey of 2011 demonstrated that of the 1,179 businesses surveyed about 5% have a skills shortage vacancy, if this is representative of businesses in Northants this would mean a total of 195 21 potential skills shortage vacancies that need to be addressed through apprenticeships and other skills-related activities the current market within skills provision is not meeting the needs of employers sufficiently well.

²¹ Resident based-employment. The 320,440 quoted in the rest of this report is workplace-based employment

Youth unemployment is relatively high within the County in areas such as Corby Kettering and Northampton and Wellingborough; the only areas within the County that have below England average rate are South Northamptonshire and Daventry. Locally, individuals are not fully aware of the diversity of jobs available in different sectors of the local labour market. This leads them to develop aspirations that are neither determined by their ability nor based on a comprehensive understanding of the types of jobs available in the county.

The quality of potential apprentice candidates, in terms of work readiness and interview/presentation skills, need addressing as well as a robust feedback system to unsuccessful candidates to support them in their work on future applications. Half of the companies surveyed 22 with a current apprenticeship programme have said they would take on additional apprentices if they could find more suitable candidates.

Unemployment

Compared with the December 2012, the numbers of people across the county claiming for over a 12 month period and also for over a 6 month period have decreased according to the latest figures for December 2013 (down 11.9% and 21.8% respectively.) Corby shows the best % decreases in claimant numbers for both the 'over 12 months' (down 27%) and 'over 6 months' (down 35%) categories. On the other hand East Northamptonshire is struggling to make inroads into placing its cluster of claimants who have been claiming for over 12 months (down just 1.6%). There are also slow reductions in Northampton where the numbers claiming for over 12 months are down just 5.8% and the those claiming for over 6 months are down 12.6% (both somewhat less than the county average)

In the 25 and over age group there are year on year decreases in the number of claimants in both those who have been claiming for '1 year but less than 18 months' and '18 months but less than 2 years'. However the picture is not so good for those aged 25 and over who have been claiming for more than two years. There are increases across the county with three districts/boroughs showing year on year increases of more than 55% (Daventry, Kettering and South Northamptonshire).

Parts of the county face significant constraints relating to employment and transport. This is especially true of the most peripheral parts of the county in areas of South Northamptonshire, East Northamptonshire and Daventry.. Significant barriers exist which are preventing people from accessing new job opportunities both in peripheral areas and also parts of the county that are located close to buoyant areas of employment growth.

Intervention Logic

National, regional and local skills analyses show that there are a range of skills issues in all of Northamptonshire's priority sectors (see Annex). These include leadership and management, technical, employability and basic skills. In addition, there are concerns within priority sectors over the image of the industry being portrayed to young people with forecasted problems of replacement demand and a lack of employer investment in skills. Skills have been recognised as one of the most important elements of competitiveness, and increasing GVA and productivity is closely linked to improvements in workforce skills.

Northamptonshire is losing its competitive edge by not investing in skills at the intermediate, technical and higher levels. It provides a constraint to growth of existing businesses but also means that employers and employees are not keeping up-to-date with technological issues and developments. This issue has been well-documented by several research papers including the Northampton Waterside Enterprise Zone skills strategy, the development of the Northamptonshire Apprenticeship plan and emerging Skills strategy.

Over the next ten years demand for skills is forecast to rise significantly, particularly at Level 3 and above, driven by economic growth, the delivery of major projects and replacement demand. People with low skills levels report the highest levels of inactivity (around half are qualified below Level 2) demonstrating the impetus to invest in skills to support economic engagement.

The costs to the individual and the economy of worklessness are well recognised and increasing the employability of those distant from the labour market will result in significant benefits to the economy. There is strong evidence that many individuals, particularly from key target groups, need assistance to re-enter the labour market. This includes those require jobs search and job readiness training, while others require more intensive and substantial support.

There is also a need to support young people to make informed decisions in terms of training and employment opportunities and to intervene with those at risk of becoming a NEET.

Strategic Programme

Three strategic interventions are proposed under Priority 4:

Strategic Programmes	Thematic Objectives
A Skilled and Adaptable Workforce	
<ul style="list-style-type: none"> Key Sector Skills Programme Youth Support Programme 	TO8:Employment and Labour mobility TO9:Social Inclusion
Extending Employment Opportunities	TO10Skills
<ul style="list-style-type: none"> Northamptonshire Return to Work 	

Financial Programme

Significant ESF resources have been allocated to this Programme, with major funding provided by a number of Opt Ins, including DWP, Skills Funding Agency and Big Lottery.

Priority 4 Responsive and Adaptable Workforce (£ms)				
	ESF/ERDF	Public ¹	Private	Total
Key Sector Skills Programme	£8.9	£8.9	£	£17.8
Youth Support Programme	£3.22	£3.2	£	£6.42
Northamptonshire Return to Work	£5.4	£5.4	£	£10.8
Total	£17.52	£17.5	£	£35.02

¹ Including SFA,DWP and Big Lottery Opt Ins

This will come predominately from the Skills Funding Agency and Department for Work and Pensions. Other potential match may come from the private sector in relation to skills development and local authority partners in terms of the employability programmes. The Youth Support Programme could potentially attract match from the opt in offer from the Princes Trust.

Anticipated Outputs and Results

The table below sets out the outputs which will be generated by this Priority, including a considerable number of unemployed and inactive people provided with training.

Priority 4 Responsive and Adaptable Workforce Outputs and Results	
ESF Outputs¹	
No of Participants	11,712
No of Employed	4,642
No of Inactive	3,500
No of Unemployed	3,070
No Aged 15-24	1,428
Results	
No Gaining Qualification	TBC
No Edu/training	TBC
No of Positive Activities	TBC
ERDF Outputs¹	
No of New Enterprises Supported	280
No of Jobs Created	140
Results	
No of Start Ups	TBC
No of SME Jobs	TBC

Key Sector Skills Programme

Northamptonshire has a number of priority sectors which have identified specific (such as mechanical engineers and electricians) and generic skills issues (e.g. leadership and management skills):

- High Performance Engineering (HPT)
- Logistics
- Food and Drink
- Health and Social Care ;(not LEP key sector but employment growth is significant)
- Construction – linked to new industrial and housing developments
- Low carbon technologies
- Creative and Cultural industries
- Support offered under this programme will include:
 - Support for apprenticeships and traineeships
 - Skills support for the workplace which is employer responsive
 - Support for intermediate and high levels skills development for industries driving growth in local economies in support of other relevant priorities
- Digital and ICT skills at all levels

Support offered under this programme will include:

- Support for apprenticeships and traineeships
- Employer responsive skills training
- Sector specific higher level apprenticeships programmes;
- Internship and placement programmes to encourage the employment of graduates and post graduates;

Target beneficiaries for this programme will include:

- Marginalised individuals and groups;
- People considering entrepreneurship and social enterprise;
- SMEs with a need to engage more effectively in the skills agenda;
- Graduates and post-graduates;
- Employees, including those who are underemployed, in jobs without training and needing to improve their skills levels, as well as those at risk of redundancy and needing to re-train

Independent Advice and Guidance for young people will be covered in the Youth Support programme and NEP is considering the specific nature of the additional targets to be purchased through ESF from the National Careers Service providers once these contracts are operational.

Youth Support Programme

ESF will support young people aged 15-19 who are not in education, employment or training (NEET) and those at risk of becoming so. They will likely be those who face multiple barriers to their participation and need a different type of offer of post-provision support to engage them in learning and keep them engaged. Young people up to the age of 24 would also be eligible for support under this programme. The key areas of support include:

Creating a young, skilled workforce to strengthen and sustain local economies.

NEP is a private sector led organisation that wishes to work with employers to design and deliver tailored solutions to meet identified market failures, skills requirements and support young people into jobs traineeships and apprenticeships through networks of key sector employers. Nep will build upon the current Job brokerage initiative using a wide range of intermediaries and initiatives such as sector based work academies to meet local needs and match the unemployed to real sustainable job opportunities within the county.

Growing the local economy through enterprise An enterprise programme tailored for young people which offers a package of business support services that links with the Northamptonshire United approach to including growth and sustainability support such as business mentoring, growth coaching and access to finance.

Linkages with schools The key growth sectors for Northamptonshire are not necessarily careers of choice and more needs to be done to attract younger people to the sectors including addressing career pathways where legal requirements prohibit engaging younger people in particular sectors and roles.

More advanced and higher apprenticeships are needed to address the imbalance of skills levels, particularly in engineering with 865,000 employees needed at level 4 and 690,000 at level 3 in the next 10 years. In 2011/12, 69% of apprenticeship registrations in Northamptonshire were at intermediate level, 30% at advanced level and only 1% of registrations, higher apprenticeships.²³ In order to meet government ambitions of a shift to a 40:60 ratio and meet business demands for higher level skills these ratios need to be challenged and addressed as part of this plan.

This is especially true within the Logistics sector, Healthcare and High Performance Technologies sector. This programme should therefore ensure there is activity that promotes career opportunities to young people, facilitating raising aspirations and understanding of future skills needs. This could also include enhancing education and business linkages in schools/ colleges.

Return to Work

Roughly half of those claiming JSA in Northamptonshire are between 25-49 years. At 12 months unemployment they are referred to the Work Programme to receive specialist help with job applications and skills (basic skills should have been addressed by JCP during the earliest stages of their claim to benefit).

Despite receiving help from Jobcentre and Work Programme, some claimants within this group (post Work Programme) still find it hard to compete in the current labour market – lack of relevant skills and work experience remain key barriers.

Within the county we need to look at some of the specific interventions that can support this particular client group train and receive more help.

This may include hands-on support to seek employment for the individual, assess what skill gaps the employee has and support them through the training.

The service should work alongside existing provision and will do fulfill one of the following

- extending the amount or range of provision available
- providing additional support in key locations where additional barriers exist for people wanting to return to work
- providing different or more intensive support to people facing greater barriers, alongside their involvement in the main domestic programme
- providing specific help to particular disadvantaged people to help them find and keep a job
- supporting people after they enter employment, to assist with sustaining and retaining a job

A small amount of funding will be allocated to support employees with low level or no basic skills qualifications to progress towards Level 2 qualifications. The funding will ensure that employees lacking basic skills achieve Level 1 standards to increase their progression opportunities within the workplace. Provision will be designed in consultation with employers to ensure that it meets their needs.

Strategic Alignment

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
- 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.
- The Skills for Sustainable Growth strategy identifies that investing in training has many economic and social benefits to employers and individuals especially people with low skills. However, there are many reasons why employers and individuals may choose not to invest in learning and skills
- Supporting Youth Employment commits to ensuring that young people have the opportunity to engage in the labour market in order to advance their career prospects
- The Holt Review 'Making Apprenticeships More Accessible to Small and Medium-sized Enterprises' recommended creating an environment in which SMEs can develop their own training.
- There is also a desire to see the evolving Northamptonshire Apprenticeship plan and the Northampton Waterside Enterprise Zone skills action plan supported via this Priority.

In conjunction with Priority 1, 2 and 3, this priority will also provide skills and training support to SMEs and social enterprises.

Additionality

At a local scale additionality will be achieved through an increased number of beneficiaries and individual engaged in training and acquiring new qualifications. Northamptonshire plan is to prioritise investment in projects that will seek to address skills shortages within those sectors that have the potential for growth and significant contribution to GVA. In driving this focus we believe the additional benefit in terms of SME competitiveness and productivity. As with all investment NEP in liaison with the SFA and other partners will ensure that no ESF funding is duplicating provision from elsewhere.

Delivery Arrangement

The activity would be commissioned and will be co-ordinated through the Growth Implementation Board, working with partners. The GIB will not encourage a process of service and product proliferation.

A set of principles will inform delivery: accredited providers working to established and high quality standards of diagnostics and delivery; and co-design of the commissioning framework with the Skills Funding Agency and Department for Work and Pensions

Section 5: Crosscutting Themes

This section sets out the objectives and the approach for ensuring that the commitment to the two themes, Environmental Sustainability and Equality, is mainstreamed across all aspects of the Programme.

The purpose of Cross Cutting Themes: equality and anti-discrimination (CCT) is to guarantee that environmental sustainability and equality reinforce and comply with all investments funded through the programme. NEP will adhere to measures that manage and reduce impacts from climate risk and future proof developments, pursue environmentally sustainable procurement and commissioning and create new green and blue infrastructure to protect and enhance ecosystem services/natural capital. The completed strategy that will be submitted in January 2014 will offer further information on how CCT will be elaborated within the Programme. Our future programme will draw on current best practice from within the 2007-2013 East Midlands Objective 2 Programme namely:

Environmental Sustainability

Environmental Sustainability is one of the three pillars of Sustainable Development. The inclusion of an environmental sustainability cross cutting theme means that whilst achieving their social and economic goals, the Programme and individual projects should aim to minimise their environmental impact and, where possible, enhance environmental benefits. The nature, extent and quality of the environment within the East Midlands is contained in the Strategic Environmental Assessment (SEA) and has informed the SWOT. The strategic approach to the environmental sustainability theme is to: ensure efficient use of natural resources, energy and transport; minimise waste and pollution; improve the built environment; and protect the natural environment to improve local economies and business competitiveness. This will be achieved both by funding specific activities under the main priorities and by raising awareness of, promoting and developing environmental sustainability approaches in project design and delivery. The effective integration of environmental sustainability into the Programme can help deliver a more competitive, dynamic and innovative regional economy by embracing and responding to the economic opportunities.

Our environmental objectives have been shaped via the Northamptonshire Local Nature Partnership (LNP) which aims to drive positive change in Northamptonshire's natural environment, taking a strategic view of the challenges and opportunities involved and identifying ways to manage it as a system for the benefit of nature, people and the economy. The LNP brings a robust strategic view to Northamptonshire's natural environment and works with the Chief Planning Officers Group, the Northamptonshire Leadership Group and the Local Enterprise Partnership. The LNP is responsible for delivering the County's Transformational Programme: Towards a Naturally Resilient Northamptonshire through the following seven objectives:

The programme will again draw on best practice from the 2007-2013 East Midlands Objective 2 Programme and with the completed strategy providing further information when submitted in January.

At a European level, equality tends to focus on gender equality. The UK Government takes a wider interpretation of equality, encompassing race, disability, age, sexual orientation and religion/belief. Current UK legislation will ensure that under the Northamptonshire ESIF these underrepresented groups are not discriminated against and the programme will ensure that positive steps are taken to gain their active involvement. Applicants and programme managers will be expected to demonstrate and promote the principles of equality, diversity and inclusion in their applications, services, activities and management and recruitment policies.

Objective

The diverse population that makes up the county presents significant opportunities for businesses to engage with a range of potential entrepreneurs and employees to expand their market presence. However, as the SWOT identifies, many people experience barriers to social and economic inclusion. The strategic approach to the equality theme is to ensure equality of access to opportunity regardless of race, gender, disability, age, sexual orientation or faith. This will be achieved by funding specific activities targeted at underrepresented groups and through continuing, and building on, best practice from the previous Structural Funds Programmes on integrating equal opportunity considerations in project design and delivery.

The principal objective of the equality cross cutting theme is:

- To reduce economic and social inequalities by ensuring that opportunities generated by the programme are available to everyone.

A number of operational objectives/actions have been set which put equality into practice:

- To support under-represented groups to access employment opportunities generated by the programme
- To increase the number of people in under-represented groups accessing employment in higher skilled occupations and sectors where they are currently under-represented
- To ensure that business support is responsive to the needs of all communities and under-represented groups

- To increase the participation of people from under-represented groups in the management and implementation structures of the programme. It is important that partnerships, selection panels and other administrative groups are representative at all levels and positive steps are taken to gain the active involvement of under-represented groups.

Social Innovation

Social innovation is the process of finding and implementing new ways to tackle major problems that affect society as a whole or specific groups. It draws on the determination and knowledge of local communities, of 'not-for-profits', or of social entrepreneurs, alongside businesses, individuals and researchers. It seeks to deliver better social outcomes by drawing on their collective resources of time, skills, networks and relationships, often using new technologies, to build scale and spread change.

European Regulations require that social innovation is promoted across the European Social Fund. Social innovation can also be supported on an optional basis with the European Regional Development Fund under the Thematic Objectives of Research, Development & Innovation and SME Competitiveness.

Northamptonshire is about to embark on a Local Impact Fund (LIF) and investment is proposed from both ESF and ERDF. The LIF will provide an opportunity for active leadership and involvement of groups of local people at all stages of the life cycle of a project. The proposed fund will invest in social enterprises to enable them to develop and expand trading activities so that they can become strong, sustainable businesses making a major contribution to their community by reinvesting profits or surpluses made into the organisation or community to further their social and economic aims.

The investments the fund makes will help investees achieve financial sustainability for themselves: this means that they can boost the local economy and community through increased economic activity and by delivering services of benefit to the community.

Crosscutting Themes Best Practice

The 2007-2013 Structural Funds Programmes strongly evidenced mainstreamed cross cutting themes. The following provides a summary of best practice in the current programme linked to environmental sustainability and equality:

iCon Centre

The iCon is a new landmark for the town of Daventry and a beacon for the low carbon economy in the UK and beyond. The award-winning building includes over 55 offices for small businesses in the emerging market of sustainable construction, together with conference facilities, support and advice. The £8.5 million scheme has been designed to achieve an 'excellent' rating from BREEAM, a worldwide environmental assessment method. As well as playing home to a diverse range of innovative, green businesses, the iCon is a leading example of energy-efficiency and sustainability in its own right. The iCon is a recognised exemplar of progressive design and energy efficiency. The building has been the recipient of two design awards, having won a 2010 Green Apple Award for the Built Environment and a 2009 Milton Keynes-South Midlands Excellence Award.

Design features:

- A 'fabric first' energy efficient building, designed for stunning CO2 emissions of only 15kg/m2/year
- Low carbon design features including a natural ventilation system, exhaust air heat pumps and phase change materials in the ceiling
- A central 'street' with an inflatable roof – supporting natural temperature regulation of the building

Corby Enterprise Centre

The Corby Enterprise Centre (CEC) was officially opened on Friday 24th June 2011. The new purpose built Enterprise Centre has been designed to provide ideal accommodation for entrepreneurs and start-ups to realise their business ambitions as well as giving existing businesses access to flexible office and workshop space to allow them to grow. With different sized offices and studios suitable for between 2 and 25 people, the Enterprise Centre is destined to be a lively new focus for business activity in the area. In addition to 24/7 access, free car parking and high speed communications, the Enterprise Centre will provide tenants with unique on-site support including access to a network of business development experts from a wide range of industries. As well as high class business accommodation the centre boasts top quality meeting and training space for up to 40 people which is available for hire to all businesses around the region.

The CEC received over £1.1m from the European Regional Development Fund (ERDF). The remainder of the £8.3m was funded by the East Midlands Development Agency (EMDA) £6.5m, Northamptonshire Enterprise Partnership (NEP) and Northamptonshire County Council £1m and Corby Borough Council £700k. Having secured funding and a site, North Northants Development Company (NNDC) worked with funding partners and the developers, Bela Partnership, to deliver the project.

Section 6: Financial Allocations and Summary of Outputs

Introduction

Northamptonshire received a notional ERDF and ESF allocation of €55 million for investment under the 2014-2020 programme and received notification in December of €2.7 million EAFRD allocation. The Northamptonshire ESIF has been developed on the basis of 50% ERDF and 50% ESF split of resources.

The financial proposals are set out below.

Allocations by Thematic Objective

Based on a 50% ERDF and 50% ESF split of resources and the guidelines provided regarding priorities for the 2014-2020 programme, Thematic Objective allocations are as follows

European Allocation by Funding Stream and Thematic Objective		
ERDF	Strategic Activities	£m
TO1:Innovation	Northamptonshire Innovation programme Local Impact Fund	5.0
TO2:ICT	Use of ICT for commercialisation in SMEs	1.5
TO3:SME Competitiveness	Growth Hub Enterprise Hub Pan LEP Access to finance	11.7
TO4:Low Carbon	Energy Efficiency for SMEs	4.62
ESF	Strategic Activities	£m
TO8:Employment and Labour mobility	Return to work programme	8.0
TO9:Social Inclusion	Local Impact Fund CLLD Access to Employment	4.7
TO10Skills	Key Sector skills Youth support programme	10.4
EAFRD	Strategic Activities	£m
Art 36 Tourism	Support for Tourism Employment opportunities and investment in green infrastructure	1.22
Art 20 business	Support for micro businesses within rural areas	1.0
TOTAL		48.42

These allocations follow the guidance on ensuring that low carbon receives 20% of ERDF resources and addressing social and economic exclusion receive at least 20% of ESF resources.

Financial Programme

The table below sets out the Financial Programme set out by ERDF/ESF, the four Priorities and the Strategic Interventions.

In total over £96.766m will be invested in the Programme with substantial contributions from both the public and the private sector. The private sector contribution will increase further as supports leads to company investment.

Northamptonshire ESIF Programme (£ms)				
	ERDF/ESF/EAFRD	Public	Private	Total
Innovation				
Innovation Programme	ERDF £4.0	£2.0	£2.0	£8.0
Driving SME Competitiveness				
Growth Programme Hub	ERDF/ESF/EAFRD £7.26	£4.7	£2.5	£14.46
Targeted: Entrepreneurship Programme	ERDF £2.5	£2.5	£0	£5.0
Finance for Business Programme	ERDF £4.0	£4.0	£0	£8.0
Energy Efficiency for SMEs	ERDF £4.62	£3.0	£1.62	£9.24
Sustainable and Equitable Growth				
Local Impact Fund	ERDF/ESF £3.5	£2.5	£1.0	£7.0
Community Led Local Development	ESF £1.0	£0.5	£0.5	£2.0
Access to Employment Programme	ESF/EAFRD £4.026	£2.8	£1.22	£8.046
Responsive and Adaptable Workforce				
Key Sector Skills Programme	ESF£8.9	£8.9	£	£17.8
Youth Support Programme	ERDF/ESF£3.22	£3.2	£	£6.42
Northamptonshire Return to Work	ESF£5.4	£5.4	£	£10.8
Total				
ERDF	£23.1	£	£	£
ESF	£23.1	£	£	£
EAFRD	£2.226	£	£2.226	£4.452
Total	£48.426	£39.500	£8.84	£96.766

Opt-in Proposals

Northamptonshire has carefully considered the national opt-in offers in terms of fit with the Northamptonshire objectives and the need to secure match funding from these programmes to ensure that Northamptonshire ESIF can be delivered and not hindered by a lack of match at the right scale. In principle opt-in commitments identified by Northamptonshire are outlined below.

Opt in Summary		
Opt in Proposal	Strategic /thematic Priority fit	£m
UKTI	SME Competitiveness – TO 3	1.0
Growth Accelerator	SME competitiveness – TO3	1.088
Manufacturing Advisory Service	SME Competitiveness – TO3	1.0
ESF		
Department for Work and Pensions	Employment and Labour mobility-TO8	7.4
Big Lottery	Social Inclusion-TO9	2.5
Skills Funding Agency	Skills	11.2
TOTAL		24.188

Outputs

The ESIF's implementation is forecast to generate significant direct benefits through supported activities. The table below shows our initial programme forecasts which are underpinned by experience of delivery under the 2007-2013 programme period.

ERDF outputs categories	No.
No of enterprises supported	1,224
No. of new enterprises supported	740
No. jobs created (FTE)	1,470
No. of enterprises Co-operating with research institutions	220
No. enterprises supported to introduce new to the market products	40
No. enterprises supported to introduce new to the firm products	255
No. additional enterprises accessing ICT products and services including broadband	350
Private investment matching public sector support to enterprises (£)	£3,500,000
Annual decrease of Greenhouse Gases (GHG) (Tonnes of CO2 equiv)	TBC
No. of companies supported with business resource efficiency	154
Site development, including green infrastructure (ha)	2
ERDF Results Categories	
No Of Enterprise in New Products	TBC
SME Productivity	TBC
SME Jobs	TBC
Start Ups	TBC
Energy Efficiency	TBC
Smart Specialisation	TBC
ICT Enterprises Supported	TBC
Enterprises Low Carbon Use	TBC
Econ through Infrastructure	TBC
ESF Outputs categories	No.
No. of participants	16,239
No. of unemployed (including long-term unemployed) participants	5,112
No. of inactive participants	5,427
No. of employed (including self-employed) participants	5,100
No. of participants aged 15 – 24	1,428
ESF Results Categories	
No Inactive Jobsearch	TBC
No in Edu/Training	TBC
No Gaining Qualification	TBC
No in Jobs	TBC
No in Positive Activities	TBC

EAFRD Outputs categories	No.
Jobs Created	100
EAFRD Results categories	
SME Competitiveness	TBC

Section 7: Co-ordination

This section explains how the Northamptonshire ESIF will complement the activities supported under the EAFRD element of Cohesion Fund as well as links to other funding programmes e.g. Horizon 2020 and Interreg and local initiatives.

EAFRD

The EAFRD allocation for the Northamptonshire area is £2.226 million and can be used to support

- Building knowledge and skills in rural areas;
- Funding new, and developing non-agricultural, micro, small and medium sized rural business;
- Funding small scale renewable and broadband investments in rural areas; and
- Supporting tourism activities in rural areas.

Businesses in rural areas, including farming businesses, will be able to apply for EAFRD funding for activities that support their LEP's ESI Fund Strategy. These activities are not sector specific so, for example, where the LEPs have identified a need to invest in knowledge and skills in their areas this will be targeted at general business skills rather than land-based skills.

Our roadmap to achieving this will be the definition of a coherent policy mix and action plan for exploiting these programmes. We will ensure that no duplication exists which might reduce the impact of the Northamptonshire ESIF. In addition, during the implementation of interventions, potential beneficiaries will provide details of other financial support received or sought as part of application procedures. Addressing barriers to accessing these programmes will be achieved through provision of a dissemination strategy and technical advice by NEP on the synergies between the mainstream and sector programmes, the processes for applying, including bid assistance, and finding European partners.

Horizon 2020

We will seek to use Horizon 2020 funding to promote research priorities that hold a strong innovation potential and which support all forms of innovation including social innovation, promoting SMEs and their efforts on market access, commercialisation of research results and IPR management and opening up new paths to risk finance (debt and equity platforms).

Horizon 2020 will be aligned to Priority 1: innovation and sustainable business practice, by seeking to support the aim of creating a region-wide environment for innovation, building on the work undertaken with other LEPs, increasing both public and private investment in R&D. Some specific actions will be as follows:

- Bridging the gap between research and the market by, for example, helping innovative enterprise to develop their technological breakthroughs into viable products with real commercial potential. Of particular focus for Northamptonshire SMEs will be the theme "Enabling Industrial Technologies and Societal Challenges". NEP will aim to promote this programme to SMEs in order for companies to access funding for technological research and introduce incentives to commercialise new technology applications
- NEP will also seek to promote the Smart Cities and Communities Scheme within the programme which would fund the deployment of advanced low carbon technologies in urban areas in the county
- NEP will support capacity building at the local level and provide a "stairway to excellence" facilitating access to cross-border science networks for excellent researchers and innovators who lack sufficient involvement in European and international networks as well as promoting existing clusters of excellence in the county

Competitiveness of SMEs (COSME)

COSME will support Priority 2: enhancing the competitiveness of SMEs and addressing entrepreneurship, business development, targeted inward investment and financial initiatives to help improve competitiveness and growth especially in high value sectors. This programme will provide opportunities for companies in Northamptonshire to internationalise as well as provide access to finance and create synergies to our existing suite of business support programmes highlighted in the previous section. It will assist SMEs across the county and in all sectors which wish to grow in terms of turnover and employment through accessing and working with HEIs and the wider R&D/innovation/leadership base in Europe to develop and grow sustainably. Some examples of actions are as follows:

- Intensify cluster and business network collaboration across borders and sector boundaries and promote pan-European Strategic Cluster Partnerships such as with our existing High Performance Technology Cluster

- Reinforce cluster and business network co-operation and support the shaping of pan European cluster consortia in a more strategic manner at European level
- Assist county SMEs to contribute to the emergence of new value chains and take a leading competitive position globally

LIFE+

LIFE+ will contribute to Priority 3: creating the conditions for sustainable and equitable growth in particular building a naturally resilient environment in Northamptonshire that has healthy, strong ecosystems providing a range of functions which have tangible economic, social and environmental benefits that can accommodate Northamptonshire's growth aspirations and which prepares the county for climate change. Some examples of these actions are as follows:

- Supporting climate change adaptation, climate change mitigation, climate governance and the low carbon economy
- Enhancing the delivery of climate and environmental policy on a larger territorial scale (regional, multi-regional, national)
- Assisting the improved management of the county's local wildlife sites and sites of special scientific interest

ERASMUS +

Erasmus + will support Priority 4 developing a skilled and responsive workforce for the future, in particular concentrating on delivering the objective of attracting more people into employment, especially disadvantaged groups and the economically inactive and improving the skills of potential and current workers to improve individual progression and business competitiveness. We will target higher education, further education, adult education, youth organisations, charities, SMEs as well as informal groups of young people in the county. Some examples of our planned actions are as follows:

- Staff mobility (all sectors of lifelong learning, education and training professionals including youth workers involved in education, training or youth non-formal learning)
- Joining 'knowledge alliances' that create partnerships between higher education institutions and companies. A particular focus will be made on 'sector skills alliances' - partnerships between education and training providers and businesses which would support our aspirations for SME competitiveness and our existing University Technical Colleges in Daventry and Silverstone. Daventry UTC will offer technical specialisms in sustainable new technologies. Silverstone UTC will offer technical specialisms in high performance engineering and events management
- Mobility for HE and VET students (study, work-based learning, traineeships)
- Mobility for Masters students (student loan guarantee scheme)
- Youth exchanges and youth volunteering

European Territorial Co-operation Programme

We envisage the European Territorial Co-operation Programme as being a Cross Cutting theme for joint projects with other member states. Our main goal with this programme would be to develop cross-border actions with other European regions in the field of entrepreneurship, improving joint management of natural resources, supporting links between urban and rural areas, improving access to transport and communication networks, developing joint use of infrastructure, administrative co-operation and capacity building, employment, community interaction and culture.

Contribution to National Programmes and Policy

In addition to contributing to the key objectives for growth in Northamptonshire, the ESIF will also contribute to key policy drivers and national programmes. Key areas of alignment when preparing this ESIF include:

- Driving economic growth to support economic recovery
- A focus on private sector job creation and associated GVA uplift;
- Promoting higher level skills, including through vocational routes; and
- Reducing benefit dependency by supporting people into employment.

Wherever possible, ERDF and ESF investment is intended to add value to existing initiatives in these areas with any areas of variation from Government priorities to be clearly justified before any investments are made (for example if conflicting skills priorities were identified).

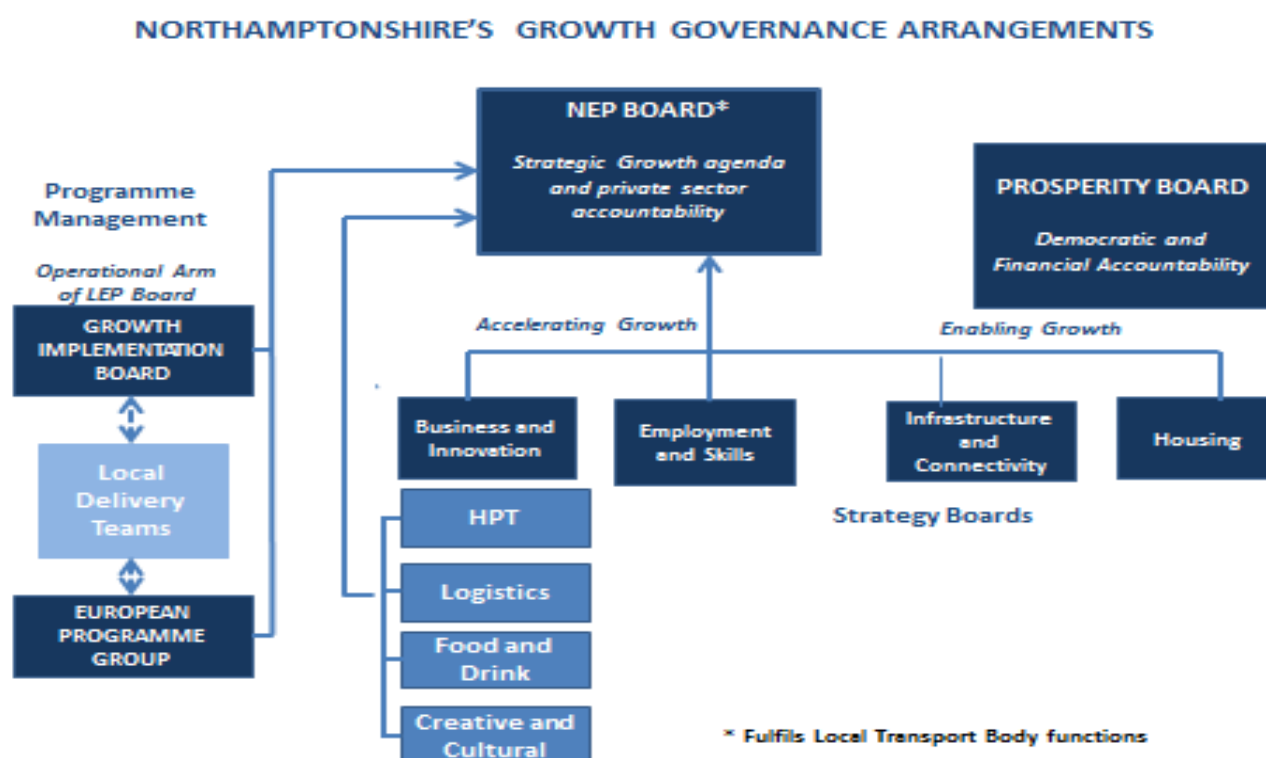
Synergies between national policy priorities and the ESIF are summarised below.

ESIF	National Strategy
<p>□ Activities under Priority 1 and 4 will support innovation across a number of sectors that are recognised national priorities (e.g. engineering) and support the exploitation of the Eight Great Technologies.</p> <p>□ Priority 2 will ensure that the competitiveness of Northamptonshire businesses will be enhanced through planned activities</p>	<p>Industrial Strategy- The industrial strategy aims to support UK businesses to compete and grow in light of both competition and opportunities in the international marketplace. Government recognises the need to:</p> <ul style="list-style-type: none"> • Develop strategic partnerships with industry • Support emerging technologies • Improve access to finance • Work with business to develop the skills they need
<p>Activities under Priority 4 will support the main focus of the work under the Richards Review – investing in education skills and lifelong learning.</p>	<p>Richards Review :The Review outlines a ten-point plan to produce apprenticeship system which meets the needs, and maximises the potential opportunities of the UK economy, its learners and its approach to government and regulation. Amongst these are:</p> <ul style="list-style-type: none"> • Focusing apprenticeship on their outcome; • Encouraging diversity and innovation amongst programmes; • Creating the right incentives to trainees; and • Actively boosting awareness of the new model.
<p>Activities under Priority 4 will support the main focus of the work under the Skills for sustainable Growth – investing in education skills and lifelong learning.</p>	<p>Skills for Sustainable Growth: This document highlights that the UK's working age population is less skilled – and subsequently at least 15% less productive – than France, Germany and the US. In particular, there is a significant gap in intermediate technical skills in the UK. Skills for Sustainable Growth sets out how the UK can ensure there is the suitable supply of labour as technological change accelerates, using a skills programme based on fairness, responsibility and freedom</p>
<p>Activities within Priority 3 which is predominately aimed at support for SMEs will support the key objectives of the Plan for Growth. Raising productivity through improvements in skills through Priority 4 will also support the objectives of this plan</p>	<p>Plan for Growth: The Plan for Growth identifies SMEs as a key driver in the long-term growth of the UK economy. Its resultant pledge to help start, finance and grow businesses as well as encourage firms to export.</p>
<p>Activities within Priority 1 will contribute towards the innovation and research strategy for Growth</p>	<p>Innovation and Research Strategy for Growth - This strategy looks at the need to encourage innovation through greater use of public procurement, helping Government to take the lead customer role, increasing investment in the Small Business Research Initiative. Increasing access to public data or to knowledge created as a result of publicly funded research; Accepting all the recommendations in the review of intellectual property</p>

Section 8: Implementing Arrangements

Governance Arrangements

A model of Governance has been developed which 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. Importantly, it has also been designed to reflect the strategic priorities within Northamptonshire's Strategic Economic Plan, and to ensure that there are specific bodies with responsibility for mobilising both the SEP and the European Structural and Investment Fund Strategy. The proposed model is as follows:



The importance of the ESIF strategy and ensure its delivery and compliance with all audit and regulatory compliance is recognised and therefore responsibility for ESIF is concentrated within the European governance structure, whilst also being mainstreamed within the remainder of the governance structure.

The proposed purpose of each body, which will be Chaired by a NEP Board Member, in relation to the ESIF Programme is summarised in the table below, alongside the membership of each:

BODY	PURPOSE	MEMBERSHIP
NEP Board	Leadership and strategic responsibility for growth agenda in Northamptonshire, including effective delivery of ESIF and Local Growth Funds and delivering private sector accountability.	Private sector, 5 x Local Authorities, HE, FE, and Voluntary and Community Sector.
Prosperity Board	Ensuring that the financial and democratic accountabilities for the Growth agenda, including ESIF monies are effectively discharged.	8 x Local Authority Leaders; LEP Chair; Section 151 Officer and Legal Services Adviser from Accountable Body, plus LEP senior officers.
Growth Implementation	Operational arm of the LEP Board ensuring that	CEs from eight LAs and

BODY	PURPOSE	MEMBERSHIP
Board	strategy is effectively implemented, including oversight of EUSIF. Terms of Reference provided at Annex 1.	LEP.
European Programme Board	Operational arm of LEP Board on European Structural and Investment Fund Strategy. Lead body in managing delivery and compliance issues. Terms of Reference provided at Annex 1.	Representatives from public, private, third sector, civil society, and relevant specific interest groups dependant on theme e.g. rural, TUC etc. The Managing Authority will be invited to act as Deputy Chair of the Group.
Strategy Boards x 4	Implementation of specific strategic priorities, including developing strategic thinking, identifying delivery priorities and holding to account delivery bodies, including opt-ins for their particular theme. A sample of the Terms of Reference for one Board are provided at Annex 1.	Representatives from public, private, third sector and relevant specific interest groups dependant on theme

In implementing these new governance arrangements, NEP is also reviewing its current Board representation to bring it into line with our new growth responsibilities, including those for the development and implementation of the ESIF Strategy.

Managing the Overlapping Geography

Introduction

Northamptonshire has five Local Authority (Corby, Daventry, Kettering, Northampton and South Northamptonshire) areas that sit within both NEP and SEMLEP's geographies. This overlapping geography could present delivery and compliance issues if not effectively managed, and therefore both LEPs have worked collaboratively to develop new arrangements to effectively mitigate any risks that may arise as a result of this overlap. Importantly, the new arrangements are designed to ensure clarity for businesses and individuals – a single front door, irrespective of which LEP is providing funding.

Ensuring Delivery

Investment Planning

It is important that European Structural and Investment Fund activity and expenditure is up and running as soon as formal programme approval is in place. This is reliant on a sophisticated approach to programme development that recognises the needs of local business and individual beneficiaries, relevant project opportunities, availability of match funding, and the ability of Northamptonshire to absorb investment within the quantum proposed for each Thematic Objective. A joint planning exercise has therefore been completed by NEP and SEMLEP to assess each of these factors, the results of which are summarised below:

Investment Planning Issue	Outcome of Assessment
Addressing the needs of business and individual beneficiaries	Both LEPs have developed a comprehensive evidence base and analysed this to ensure the appropriateness of the proposed investments under each Thematic Objective. Therefore there is a strong fit between the proposed activity

Investment Planning Issue	Outcome of Assessment
	and the needs of beneficiaries.
Relevant Project Opportunities	The eligible activities identified under each Thematic Objective have been selected on the basis of an understanding of investable opportunities in the local area, including those being delivered by the Opt-Ins. This has included discussions with key providers of public match, outside of the Opt-Ins, to understand future project proposals and investment plans.
Availability of match funding	NEP and SEMLEP have looked seriously 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 (SEMLEP and NEP) 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 Northamptonshire. Commissioning frameworks for activity outside of 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 both LEPs to ensure that providers' delivery is effectively monitored and managed. In terms of the Opt-Ins and pre-matched projects, both LEPs are appointing 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, and identify delivery risks and ensure that appropriate mitigation plans are in place to address these. For activity outside of 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

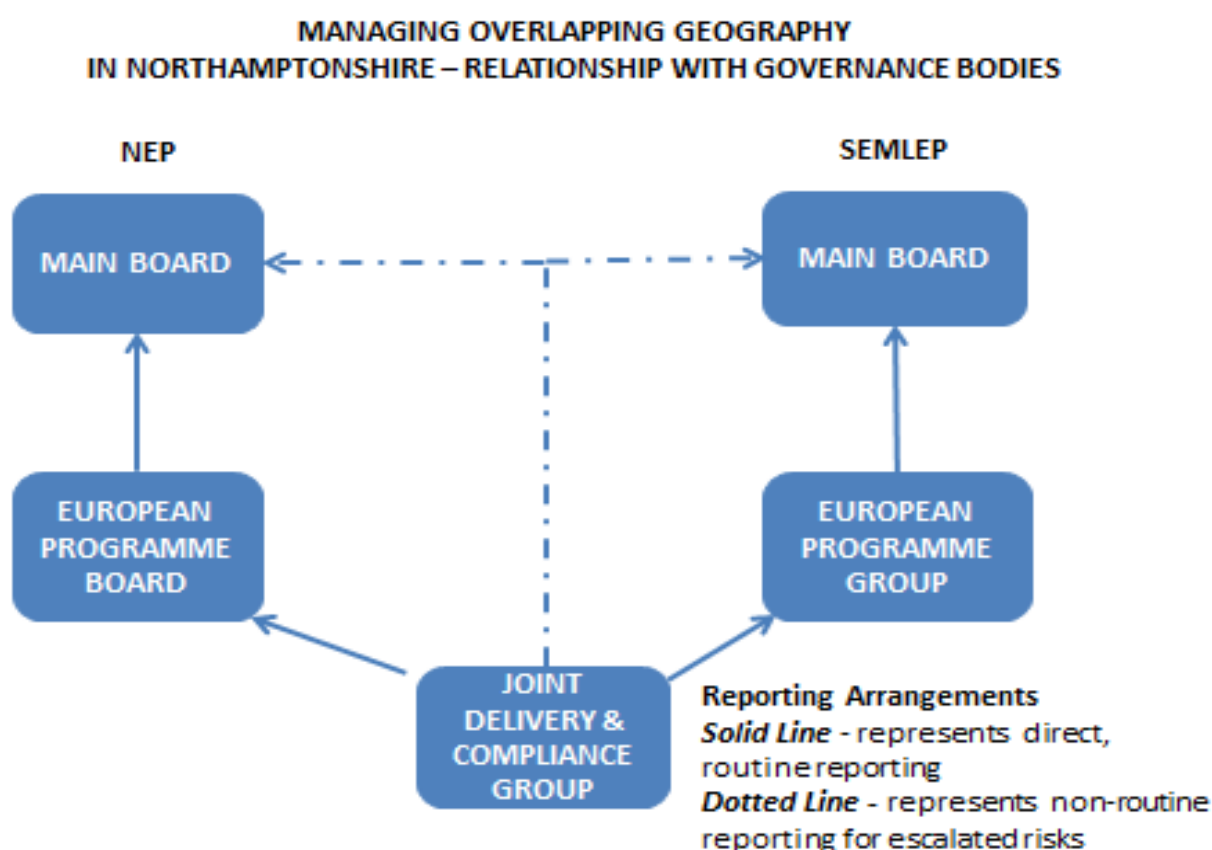
The role of the Managing Authority for ERDF and the use of the Opt-Ins for both ERDF and ESF significantly reduces the risk of non-compliance, as significant NEP and SEMLEP activity will be compliance checked by national Government or it's appointed Opt-in organisations. In agreeing the Memorandum of Understanding (MoU) with each Opt-In organisation, the LEPs will ensure that arrangements are put in place to ensure whole system 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, 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 officers with experience and knowledge of European Programmes, who will be responsible for completing compliance checks on each project applicant, prior to any funding award. These compliance checks will be based upon those adopted by the Managing Authority to ensure robust arrangements are in place across the whole programme.

Management Arrangements

Each LEP has put in place new governance arrangements, which provide for the effective management of the European Structural and Investment Fund 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 also provide the Managing Authority with overall programme oversight, via the role of Deputy Chair on the body with direct responsibility for ESIF. These arrangements were detailed previously.

In addition to the new governance arrangements both LEPs are establishing a joint Delivery and Compliance Review Group, consisting of senior officers, who will complete a detailed side by side review of all ESIF related activity (commissioning frameworks, beneficiary lists, financial, output and outcome reports etc.) to ensure that there is no duplication of funding, breach of State Aids, or wider compliance issues or risks. The Terms of Reference for this Group are provided at Annex 2. This Group will provide regular reassurance reports to each LEPs respective European governance body, so that partners are fully appraised of delivery and compliance issues. The relationship with the formal governance structures is outlined below:



Capability

NEP has a strong track record in the development and delivery of strategic economic development investment programmes. These include the successful delivery of the Single Programme sub-regional allocation for

Northamptonshire, Regional Growth Funding, PA2 ERDF support for Corby during the first half of the 2007-2014 programme, Growing Places Funding and Local funding initiatives such as INV-ENT, LOCATE and Soft Landing.

NEP has the 5th largest LEP team in place, with many team members involved in economic growth work since 2006, thereby developing a sound understanding of the locality and the ability to work strongly in partnership. We have recently added to the team to strengthen its capacity and ensure we have the right skills and structure in place to continue to successfully deliver our growth agenda for Northamptonshire. This includes the recent appointment of a CEO, with considerable economic and European programme experience (including as European Programme Director for the Managing authority), to lead the organisation and strengthen our strategic capability. This is an important addition to an already strong senior management team. In addition we have re-structured the company to ensure that we have a core team with responsibility for commissioning and programme management that is separate to our teams with responsibility for direct delivery. Thereby ensuring that there is clear segregation of duties between our role as a fund manager and delivery body. An independent mid-term review of performance in 2012 highlighted NEPs expertise and track record in driving economic growth for Northamptonshire.

Since NEP's inception in 2010 we have directly delivered over 1,650 jobs, 100 new business start-ups, over 25 new company investments which has levered in over £8m of private sector investment.

Risk Register

The strong track record of delivery within NEP and its partners has ensured that there is a deep understanding of the potential risks associated with implementing and delivering programmes. A comprehensive risk assessment covering all aspects of the plan from operational, financial, implementation and governance has been completed and will be forwarded to the European Programme Board for consideration and approval at its first meeting in April 2014.

Monitoring & Evaluation

NEP has proven capability in successfully managing programmes and has developed comprehensive systems to ensure that effective project and programme management; financial and regulatory compliance, evaluation and accountability arrangements are in place. Strong accountable body arrangements are in place with Northamptonshire County Council and audit and performance checks are regularly completed for the delivery of existing programmes.

In terms of information and intelligence to monitor our impact and performance, we have an agreed SLA with the Business Intelligence Unit at Northamptonshire County Council that provides information and analyses of the areas performance. We will work to ensure that we further develop our intelligence capability with partners in order to provide a robust ongoing evidence base to inform our policy and investment decisions.

TERMS OF REFERENCE FOR GOVERNANCE BODIES

EUROPEAN PROGRAMME BOARD TERMS OF REFERENCE

PURPOSE

The European Programme Board will act as the operational arm of the NEP Board for all European related business. Its focus is to ensure that all aspects of the 2014-2020 European Structural and Investment Fund strategy is effectively delivered. It will provide strategic direction to, and performance management of, all ESIF related activity within Northamptonshire.

ROLES AND RESPONSIBILITIES

The European Programme Board will:

Strategy

1. Develop implementation plans to deliver the EUSIF strategy in line with all key deliverables and timelines.
2. Complete periodic review of the ESIF Strategy to ensure that this remains fit for purpose, during the life of the Programme.
3. Commission underpinning strategies, as and when necessary, to support the overall delivery of the ESIF Programme.
4. Develop strategies to implement specific elements of the Programme (e.g. Community Led Local Development).
5. Identify emerging European and national policy, best practice and thematic trends, and ensure that Northamptonshire actively responds to these.

Investment

6. Review all EUSIF related activity and expenditure and ensure that this is deployed in line with Programme eligibility requirements and addresses NEP priorities.
7. Identify further European investment sources and develop proposals to access these.

Delivery

8. Develop project assessment criteria for ERDF and ESF funding, which projects can be assessed against.
9. Develop commissioning frameworks/calls for ERDF and ESF bids and invite applications against these.
10. Review and assess bids for EUSIF funding and rank these in line with assessment framework.
11. Ensure that overall performance and financial targets are being met and that any underperformance is quickly identified and addressed.
12. Work with all Strategy Boards to ensure that Opt-In performance is delivering in line with expectations.

13. Manage the financial tables for the Programme ensuring that match funding is secured.
14. Ensure that the Programme complies with all European and national Government rules, regulations and procedures.

Risk

15. Identify key programme delivery risks and mitigate these or escalate to the Growth Implementation Group for resolution.

MEMBERSHIP

Membership will consist of:

- LEP Board Member (Chair)
- Public Sector (Joint Deputy Chair)
- Representative of Managing Authority (Joint Deputy Chair)
- Local Authority representative x 3
- Private sector representatives x 3
- Rural representatives x 2
- Third Sector Assembly
- Trade Union Representatives
- FE representatives
- HE Representative

The opt-in agencies will be invited to attend the meetings as part of their accountability arrangements. The Board will also invite individuals to support their work programme as and when necessary.

ACCOUNTABILITY

The European Programme Board is directly accountable to the NEP Board. It will be chaired by the NEP Board Member with lead responsibility for the European agenda.

MEETINGS

Meetings will take place on a bi-monthly basis, during the first six months of operation, dropping to quarterly thereafter. The Chair will determine whether these need to occur more or less frequently as business determines.

GROWTH IMPLEMENTATION BOARD TERMS OF REFERENCE

Purpose

To act as the operational arm of the NEP Board on the delivery of the growth agenda, ensuring that the Strategic Economic Plan and EU Structural and Investment Fund Strategy are effectively delivered; national, European and local growth related funds are invested to maximum effect; delivery capability in line with strategic priorities; and emerging risks are mitigated or referred to the LEP Board for resolution.

Roles and responsibilities

The Growth Implementation Board will:

Strategy

1. Ensure the effective delivery of NEP's strategies, reviewing all aspects of these to ensure that they are delivered in line with key performance measures and timelines.
2. Identify emerging strategic priorities and ensure that NEP commissions specific work to maximise the opportunity presented by these.
3. Develop the Economic Intelligence work programme to ensure that NEP is evidence led and has a credible evidence base to inform investment decisions, and that this is effectively stored and maintained.

Investment

4. Develop an investment strategy, which identifies all investment sources and appraisal mechanisms to assess investment priorities against these.
5. Develop recommendations to the NEP Board on all projects requiring national government funding (Regional Growth Fund, Local Growth Fund etc.), in line with strategic priorities and eligibility requirements; ensuring that these have been subject to a satisfactory appraisal process.
6. Identify further investment sources and develop proposals to access these.
7. Develop the work programme of the Programme Management team, to ensure that all investments are delivered in line with regulations and propriety requirements.

Performance Management

8. Maintain management oversight of all NEP funded programmes and projects to ensure that these comply with all regulatory, statutory and financial requirements; and deliver to outcome and financial targets in line with the PMF and evaluation strategies.
9. Develop appropriate mechanisms to ensure that individual programmes of activities and projects deliver on all expected outcomes; and that clear contract management arrangements are in place for each project.
10. Ensure that under-performing projects are identified and mitigation action taken to restore performance.

Delivery

11. Ensure that all delivery teams have clear leadership arrangements, a tasking framework and expected outcomes, and are fully equipped to support NEP's governance arrangements.
12. Ensure that resourcing requirements are clearly identified for each strategic priority and that this is subject to regular and ongoing review to ensure that this remains in line with evolving business priorities.
13. Provide direction to the delivery teams to ensure that these are focused on the most critical issues to delivery.

Risk

14. Develop NEP's risk strategy and review and update this at each meeting, providing monthly highlight reports to the NEP Board.
15. Manage programme level risks ensuring that mitigation strategies are in place to address these or that these are escalated to the NEP Board.

MEMBERSHIP

Membership will consist of:

- NEP Board Member (Chair)
- LA Board Member (Deputy Chair)
- 8 x LA CEs
- NEP CE

The Board will invite NEP and LA lead officers to support its work programme, as and when necessary.

BUSINESS AND INNOVATION STRATEGY BOARD

TERMS OF REFERENCE

PURPOSE

The Business and Innovation Strategy Board will act as the thematic arm of the NEP Board for all business and innovation related issues, commissioning activity in line with the current and future needs of the Northamptonshire economy. It will ensure that the area retains, develops and grows existing firms, stimulates new company formation, fosters new external relationships to attract investment, promote research and development with the overarching goal to build a more resilient and competitive economy. It will provide strategic direction to all business related activity within the sub-region.

ROLES AND RESPONSIBILITIES

The Business and Innovation Group will:

Strategy

1. Develop implementation plans to deliver the business and innovation elements of the Strategic Economic Plan in line with all key deliverables and timelines.
2. Complete periodic review of the business and innovation elements of the Strategic Economic Plan to ensure that this remains fit for purpose, during the life of the Plan.
3. Commission underpinning strategies, as and when necessary, to support the overall delivery of the business and innovation aspects of the Programme.
4. Identify emerging international and national policy, best practice and thematic trends, and ensure that Northamptonshire actively responds to these.
5. Monitor overall economic performance and identify key emerging issues and proposals to address these.
6. Provide direction and support to the strategic work programmes of the sectoral groups to ensure that best practice is shared and work programmes are delivered in line with expectations.

Investment

7. Review all business related public expenditure and ensure that this is deployed in line with Northamptonshire's priorities.
8. Identify further investment sources and develop proposals to access these.

Delivery

9. Work with businesses, skills providers and key stakeholders to ensure that businesses have a strong voice in directing business growth, in-line with current and future business needs.
10. Develop an effective and cohesive business support infrastructure using national and European investment and commissioning activity as the catalyst to create this.
11. Develop commissioning frameworks for national funded business support activity and provide advice on same to the European Group in developing Structural Fund commissioning frameworks.

12. Ensure that a strong pipeline of business and innovation projects is in development and where necessary take action to stimulate these.

TERMS OF REFERENCE FOR DELIVERY AND COMPLIANCE REVIEW GROUP

PURPOSE

The Delivery and Compliance Review Group will ensure that all ESIF related activity within the Northamptonshire overlapping geography (Corby, Daventry, Kettering, Northampton and South Northamptonshire) is effectively mobilised, delivered, and managed, and is compliant with all regulatory and audit requirements.

ROLES AND RESPONSIBILITIES

The Delivery and Compliance Review Group will:

Delivery

16. Collectively monitor the economic evidence base for the overlap geography to ensure that activity is commissioned in line with businesses and individual needs.
17. Review emerging investment proposals and ensure that there is sufficient public funding available to match these and sufficient interest and appetite to absorb these.
18. Produce commissioning frameworks/calls for ERDF and ESF bids and submit these to the NEP and SEMLEP European Programme Board for approval.
19. Develop mechanisms to deliver joint commissioning/calls for action, where these are clearly in the best interest of the end user.
20. Provide a mechanism to collectively consider delivery capability within the provider base, to avoid any organisation over extending its financial or delivery capability.
21. Review bids for ESIF funding to NEP and SEMLEP to ensure that there is no duplication of funding.
22. Develop and monitor a protocol which ensures that each LEP demonstrates the added value of its interventions.
23. Collectively monitor financial and output, outcome and results targets to ensure that these are being met and any under performance in the overlap geography is quickly identified and addressed.

Risk

24. Identify key compliance and delivery risks and report these to each LEP's respective European Programme Board, and where appropriate escalated to the main NEP and SEMLEP Boards.

Compliance

25. Develop programme monitoring and reporting arrangements that detail investment at the level of business and individual beneficiaries, to provide full visibility of all ESIF related activity.
26. Review SME project and individual beneficiary lists from Opt-In agencies and direct applicants to ensure that there is no potential for double funding.
27. Develop arrangements to monitor State Aid and other regulatory requirements in the overlapping geography.
28. Review SME project and individual beneficiary lists from Opt-In agencies and direct applicants to ensure State Aid and other regulatory requirements.
29. Develop and implement shared intelligence arrangements for the performance management of Opt-In bodies and direct applicants.

MEMBERSHIP

Membership will consist of:

- NEP and SEMLEP European Programme Board Chairs (Co-Chairs)
- SEMLEP AND NEP Chief Executives
- NEP and SEMLEP Senior European Officers
- Senior Representative from Accountable Bodies for SEMLEP and NEP
- Nominated representatives of the Managing Authority

CHAIRING ARRANGEMENTS

The Delivery and Compliance Review Group will be co-chaired by the Chairs of NEP and SEMLEP European Programme Boards. The Group will provide regular performance reports to each LEPs respective European Programme Board, highlighting any delivery and compliance issues.

ACCOUNTABILITY

The Delivery and Compliance Review Group has a dual reporting line and is directly accountable to the European Programme Boards of NEP and SEMLEP.

MEETINGS

Meetings will initially take place on a monthly basis dropping to bi-monthly thereafter. The Co-Chairs will determine whether these need to occur more or less frequently as business determines.